PROFILE: MICHAEL O'NEAL

N.Y.'s Saloon keeper extraordinaire—Page 25

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The Newspaper of the Food Service Industry

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Rallying cry: Political action now

A jubilant Howard Varner, president and chairman of Host International, approaches the podium after being named 1981 MUFSO Man-of-the Year. Full details appear on Page 3.

MUFSO speakers stress urgent need to demonstrate industry's political clout

By Joe Edwards

NEW ORLEANS—A rallying cry for restaurant operators to actively support the industry's political friends in their reelection campaigns was sounded here last month by speakers at *Nation's Restaurant News'* 22nd annual Multi-Unit Food Service Operators (MUFSO) conference.

Full news and photo coverage of MUFSO '81 will be published in the next issue of Nation's Restaurant News.

Speakers at a panel discussion on Government affairs called on operators to work at Federal, state and local levels to demonstrate political clout.

"The climate for change is right," Robert Bradford, president and chief executive of the National Restaurant Association, said, "but we must double our efforts to take advantage of it."

Betty Southard Murphy, a lawyer and former chairman of the National Labor Relations Board, noted that large labor unions "reward their friends and punish their enemies" and suggested the restaurant industry do the same.

Warning that Sen. Orrin Hatch (R-Utah), generally recognized as the industry's best friend on Capitol Hill, has been targeted for defeat next year by several unions, Murphy and other speakers called for operators to throw their support to the senator.

Judging from the remarks of Murphy and other speakers, 1982 should see more grass roots activity, further development of political action committees (PACs) and an increased lobbying effort at all levels of government by chain operators and the National Restaurant Association alike.

The operators were told to take a more active role in the legislative process and capital-

(Continued on page 53)

Jerrico expands test of baked fish dinner

By Roman Czajkowsky

NEW YORK—Jerrico is about to expand its currently limited testing of baked fish at its Long John Silver's restaurants to four advertising markets—despite the $40,000 average cost per store for new equipment and modification.

But the company predicts the baked fish dinner, which sells for $3.29, will open up an "entirely new market" for the nation's largest seafood fast-food chain.

"We expect net real growth of not less than 10%" from the product, Warren Rosenthal, Jerrico's chairman of the board and president, told a recent New York Society of Security Analysts meeting, in which he disclosed the plan to expand testing of the new product.

The baked fish dinner, which comes with mixed vegetables and cole slaw, contains less than 600 calories. According to Rosenthal, it is intended to appeal to "the World War II baby boom segment," which he said is increasingly seeking baked seafoods for health and nutritional reasons.

The baked fish is the first major alternative to deep fried products at the 1,130-unit chain.

In the presentation before the analysts, Rosenthal and other Jerrico officials also disclosed the company's results for fiscal 1981, ended June 30. These include:

Warren Rosenthal

- Pretax earnings for company-operated Long John Silver's, of which there were 651 at

(Continued on page 53)

The 1982 game plan

KFC targets malls

LOUISVILLE, Ky.—"The chain that does chicken right," as KFC's ads have been telling consumers, will start doing it in the shopping malls beginning early next year.

Several mall stores will be operating by next June, according to a company spokesman. After that initial test period, KFC will kick off what she said would be "an aggressive program" to build other mall restaurants "in all parts of the country."

This is not an entirely new venture for KFC Corp., a division of Heublein. Six KFC stores are already operating in shopping malls, but they are all franchised. The new test stores will be owned and operated by the company.

Jack Ralph, a consultant for shopping centers based in Raleigh, N.C., has joined KFC Corp. as director of mall concepts responsible for what the company says will be "developing the expansion program for Kentucky Fried Chicken stores in malls across the country."

Ralph, a graduate of Fenn College in Cleveland with a degree in business administration, is a member of the International Council of Shopping Centers.

KFC, which bounced back

(Continued on page 53)

Chart House dissolves Cork 'N Cleaver

Chain integrated into dinnerhouse division

By Donald Frazier

LAFAYETTE, La.—Chart House Inc. is bringing its 62 Cork 'N Cleaver steakhouses into its dinnerhouse division, closing the chain's offices in Colorado.

Cork 'N Cleaver's operations and some of its personnel will be transferred to the Chart House dinnerhouse offices in La Jolla, Calif. John M. Creed, president of the 44-unit Chart House chain, will remain at the helm of the consolidated division.

The move will allow the company to proceed with the long-planned conversion of many of the weaker Cork 'N Cleavers to a new concept, Cisco's Mexican dinnerhouses, according to Robert K. Luckey, president and chief executive officer.

Chart House has also developed a prototype for Cisco's units to be built from the ground up, and plans to build from four to six in the next year.

The declining profitability of the Cork 'N Cleaver chain under former president Alan Teran made the elimination of the division necessary, Luckey and Chart House chairman Braxton I. Moody said.

Some of the more successful individual units, however, will retain the Cork 'N Cleaver name and concept.

The eight Cisco's now in operation are posting average annual sales of $1.1 million, a significant gain over Cork 'N Cleaver's figure of $700,000.

The company will continue conversions of the steakhouses to the new concept this year.

Luckey attributed the success of the Cisco's concept to its average check of about $9, its low food costs of about 28% and a table turnover time of about 45 minutes.

Luckey said this compares

(Continued on page 54)

LATE NEWSBREAKS

Shoney's Inc., Nashville, has agreed to buy 217-unit, $72-million, Cincinnati-based Famous Recipe Fried Chicken. Shoney's intends to sell its 22 KFC units back to KFC Corp.

Elsewhere, International Dairy Queen, Minneapolis, is negotiating to acquire the Golden Skillet Fried Chicken chain, Richmond, Va.

Arthur Treacher's faces possible bankruptcy unless it begins receiving past due royalties from franchisees, said Francis Keenan, parent Mrs. Paul's Kitchens financial vice president, in an affidavit filed in U.S. District Court, Philadelphia. Keenan said royalty payments owed to Treacher's total $14.2 million.

President Reagan pulled back at presstime from certain projected cutbacks in the school lunch program and indicated he would withdraw his previous plan to reduce food and nutritional standards. Instead, he said, the emphasis will be on providing school lunch subsidies only to those students who really need them. (Earlier story, Page 2.)

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Del Webb showing gains under Swanson

PHOENIX—Del E. Webb Corp. certainly is not out of the woods in terms of its considerable financial, legal and regulatory difficulties but the company's latest results indicate that at least the underbrush is getting thinner.

The 53-year-old gaming, resorts, real estate, and construction firm, whose earnings plummeted 57% last year, posted an increase profit for the first six months and the second quarter of 1981.

Even though those earnings came mostly from nonrecurring gains on the sale of one of its resorts, indications are that Del E. Webb Corp. may be on the right path.

Del E. Webb Corp., for the second quarter ended June 30, reported earnings of $10.7 million, compared to $1.8 million in the previous year, on revenues of $130.5 million, compared to $128 million in 1980.

For the first six months of 1981, the company posted earnings of $9.9 million, compared to $6.7 million the year before, on revenues of $245.8 million, compared to $245.2 million the year before. More than half the company's total revenues come from gaming operations.

With a recently installed chief executive and chairman, Robert K. Swanson, in charge, a new optimism has taken hold at headquarters here. While company officials are quick to admit that Webb has ongoing problems, they believe Swanson has put together a winning turnaround strategy.

"We want to get out of this financial bind we've been in," one executive told *Nation's Restaurant News*. "We're trying to cut our debt and get it to manageable proportions."

Swanson has taken the first step toward his goal of slashing $200 million from Webb's debt by selling one resort hotel, and offering other properties, including a lucrative Las Vegas hotel-casino, to interested buyers.

(Continued on page 54)

Optimism takes hold at Del E. Webb headquarters as Robert K. Swanson (above) becomes the company's new chief executive and chairman. Company officials believe Swanson may have a winning turnaround strategy. Webb operates the Mint Hotel in Las Vegas (left), along with the Sahara Las Vegas, the Sahara Tahoe, the Sahara Reno, and the Southpoint Nevada Club.

Franchisee buys Taco Hut

MEMPHIS—The 70-unit Taco Hut chain of Mexican fast-food restaurants has been purchased by one of its franchisees.

John Deacon, who operates three units in Memphis, purchased controlling interest in the 16-year-old company from A&M Foods in Tulsa, Okla. A&M Foods also operated Pizza Hut franchisees. The new headquarters for Taco Hut will be in Memphis.

Deacon has been involved in the company for three years and plans to push the chain in a new direction. "We were treading water before. The main office depended on franchisees because there were no company-owned units. Now we are going to go for company-owned and franchised stores," he said.

Taco Hut had average estimated unit sales of about $18,000 a month in 1980. An average of about $20,000 a month per unit is expected by the end of 1981.

Each unit seats between 80 and 100 people, and is carpeted and decorated with plants. The menu is all-Mexican with items such as burritos, tacos and nachos. The average check is $3.50 per person and beer is served in some units. Taco Huts have drive-thru windows and are freestanding buildings.

Deacon is planning to open 25 to 50 units a year. "We are making the commitment with company-owned stores and I believe we will be able to build from there," he said. Taco Huts are currently in 10 states including Hawaii.

Coalition gears for protest

Reagan to cut school lunches

WASHINGTON—School food-service professionals have joined forces with public interest groups and nutrition activists in a bitter protest over Agriculture Department proposals to slice Federal meal quantity requirements for the National School Lunch Program.

At presstime, however, Reagan Administration U.S.D.A. topsiders appeared to be holding firm to their cutback plan, arguing that reductions in serving sizes are essential to preserve school feeding programs in the wake of the funding cuts approved by Congress this summer.

The department's pending proposal, which would apply to the Federally subsidized National School Breakfast and Child Care Food programs as well, would also give local school districts new authority to substitute lower-cost menu alternatives and to sidestep long-standing U.S.D.A. rules requiring that each meal provide an average of one-third of the Recommended Dietary Allowances (RDAs) for a dozen key nutrients.

Specifically, the Reagan Administration proposal would allow local school districts to trim the minimum lunch program milk portion sizes from 6 oz. to 4 oz. for preschoolers and from 8 oz. to 6 oz. for elementary students.

In addition, both elementary and secondary school students receiving at least three-fourths of a cup of vegetable or fruit with each lunch now could find their portions cut to one-half cup under the plan, while the minimum meat (or meat alternative serving size requirement for preschool and primary grade children would be trimmed by a half ounce each.

Moreover, the current U.S.D.A. requirement that students receive at least eight servings of bread (or bread alternative) weekly would be reduced to one serving per day.

Similar portion size reductions are planned for the National School Breakfast Program and the U.S.D.A. Child Care Food Program.

Besides the minimum portion size reductions, the department's proposal would also relax existing Federal "meal pattern" requirements to allow the use of cheaper menu items to fulfill U.S.D.A.'s meal crediting requirements.

Among other things, this change would give school districts flexibility to substitute such items as yogurt, peanuts and soybean curd for meat, and to use condiments such as pickle relish in place of vegetables.

To accomplish these changes, the U.S.D.A. plan would discard the one-third Recommended Dietary Allowance target per meal for some, though not all nutrients.

School breakfasts and lunches would continue to be required to provide at least 50% of each child's RDA of protein and niacin, and over a third of the recommended allowance of such vitamins as B12, A and Riboflavin. But meals would no longer be required to provide one-third of the RDA for other nutrients such as Iron, vitamin B6, and Thiamin.

Officials at the American

(Continued on page 54)

Naugles goes public

By Jim Storey

FULLERTON, Calif.—Harold Butler, co-founder of Denny's and creator of several other food-service concepts, is taking his Naugles Mexican-American fast-food chain public.

The company, which owns and operates 68 units, primarily in California, has filed with the S.E.C. to make a public offering of 1.1 million shares of common stock in October.

Butler, Naugles chairman and ceo, will still be the majority stockholder after the sale, retaining 1.8 million shares, or 60% of the chain, he said.

The offering price per share had not been determined at presstime, but company officials said it was expected to be in the $12 to $14 range.

Butler said the public offering was a means of generating funds needed for expansion. Naugles currently operates in California, Missouri, Utah and Nevada, but the chain is also moving into Kansas and the Chicago area, Butler said.

About 32 units will be added during the current fiscal year, which ends June 30, 1982, Butler added.

Of the 1.1 million shares to be

(Continued on page 54)

Chefs oppose cattlemen's beef grading plan

WASHINGTON—Proposals by cattle producers to water down Federal meat grading standards would reduce the quality of beef available to restaurants while increasing prices to food-service patrons, according to a new survey of the nation's chefs conducted by the National Restaurant Association.

A solid 95% of the chefs polled by NRA said that the palatability of steaks and roasts depends on the amount of "marbling" in the beef, and most said that meat with less fat or marbling results in a tougher, less flavorful product.

The grading changes under consideration at the Agriculture Department, however, would sharply lower the minimum marbling requirements for the two top categories of beef: U.S.D.A. Prime and Choice.

That proposal, which is being pushed by no less than three national meat producers associations, would permit cattlemen to sell carcasses with only a "moderate" amount of mar-

(Continued on page 54)

HIGHLIGHTS IN THIS ISSUE

NRN profiles Michael O'Neal, the well-known New York City restaurateur whose establishments cater primarily to the theater crowd. O'Neal is set to launch his most daring venture yet in the city's Times Square area. *Page 25.*

In an editorial, *NRN* editor Charles Bernstein calls on operators to evaluate their effect on the public. Are customers getting what they expect at restaurants? *Page 6.*

Wine and Spirits columnist Mort Hochstein says many restaurants are resisting wine programs, clinging to rudimentary selections and relying on their suppliers for recommendations. But wine programs are proving to be a viable merchandising tool. *Page 15.*

In an interview with National Restaurant Association legal counsel Clyde Griffith, Griffith contends that Federal wage and hour officials are issuing often confusing, discriminatory and illegal regulations. *Page 11.*

Restaurant Associates recently hosted the U.S. Tennis Open at the National Tennis Center in Flushing Meadows, N.Y., feeding 425,000 fans a wide diversity of fare. *Page 18.*

Atlantic City's casinos have reported record winnings for August, despite the fact that some of the older casinos found the going easier in 1980 when there was less competition. *Page 12.*

Protecting food-service employees from sexual harassment is the responsibility of the employer, according to the Federal Government. But what exactly is sexual harassment? *Page 14.*

A Burger King unit in Kaneohe, Hawaii, is hoping to use wind power to cook its hamburgers. *Page 26.*

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COMMODITIES

Upward trend expected in beef and pork prices

NRN Special Report

Beef and pork have been hovering around month earlier prices. The cattle producers have been sending a larger than normal number of beeves to market, while, a consumer demand has been lower than usual for this time of year. The lowered demand has also affected pork prices, which have been higher than they were last year.

Increased marketing of cattle will mean that the normal price rise in the fall may be held off for a month or so, but until next spring, when the feed lots disgorge fed animals onto the market, the prices are sure to rise. Pork producers have followed up on their stated intention to cut back on breeding, and this will affect the prices next year.

The bright picture is broilers. Chicken raisers have increased their flocks by 20% over the past six months or so. The greater number of broilers hitting the market have taken some of the slack, sealing cattle and pork prices.

Coffee Recovers From Frost

The Brazilian frost was just as bad as the Government reported, according to U.S. Department of Agriculture experts, but it will affect next year's crop. This year has one of the largest crops since 1974, with good coffee bearing years in most of the producing countries, especially Brazil. As a result, the coffee prices, which jumped to $1.35 last month on the frost news, have dropped in the New York market. While the price hit a bottom of $1.10 per pound for green beans, buying for the big coffee season (winter) ahead has boosted the prices to $1.15, and they may rise to about $1.20 within the month. This should be the tops. Next year is another story. About 35% of Brazil's crop has been damaged for the 1982 season and this will result in higher prices, even if other producing countries have good production.

Medfly Not Affecting California

The production of fruit and vegetables has not been hurt in California, although the medfly has resulted in heavy costs for the producers. These, of course, will eventually be passed on to the consumers, including the food-service operators. The only boycott which has stuck is the one the Japanese have slapped on California lemons. They insist the lemons be chilled or fumigated before shipment, which has left a large part of this year's crop undelivered. As a result, lemons may drop in price slightly this month and next.

Grain Crops Look Good

Despite early frosts and heavy rains in the Midwest, there is still a good crop of corn and soybeans for the year, according to U.S.D.A. economists. The outlook for next year for cattle feed seems to be prices, which will hold or slightly descend from this year's levels.

The Russians have been having another poor crop year in their grain belt, and they are particularly hurt in corn and wheat. Since the embargo has been lifted by the Reagan Administration, we can expect the Soviets back with money in hand to buy a major portion of their agreed upon tonnage of grains next year.

PRICE MOVEMENT AT A GLANCE

	Sept. 18 1980	Aug. 18 1980	Sept. 18 1981
Asparagus, frozen, Grade A med., spears, Calif. (lb.)	$ 1.88	$ 2.03	$ 2.13
Beans, pinto, dried, Colorado (cwt.)	$32.00-32.50	$30.00	$22.50
Beef, choice, 700-900 lb. Midwest (lb.)	$ 1.06	$ 1.05	$ 1.04-1.05
Broilers, Grade A, ice pack, New York (lb.)	$ 0.5277	$ 0.5030	$ 0.4627
Coffee, green beans, NYC (lb.)	$ 1.45	$ 1.35	$ 1.15
Eggs, Grade A large, Chicago (doz.)	$ 0.7075	$ 0.65-0.67	$ 0.665-0.67
Lettuce, Calif. (24s)	$ 3.50-4.00	$ 8.00	$ 5.50-6.50
Olives, ripe, whole large, Calif. (6/10)	$25.40	$30.90	$35.50
Sugar, cane, refined NYC (lb.)	$ 0.250	$ 0.2910	$ 0.2360
Tomato Puree, fancy 1.045 Calif. (6/10)	$ 9.00	$10.90	$11.40-11.65

Source: *NRN* Research

Prices are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Host's Varner named 1981 MUFSO Man-of-the-Year

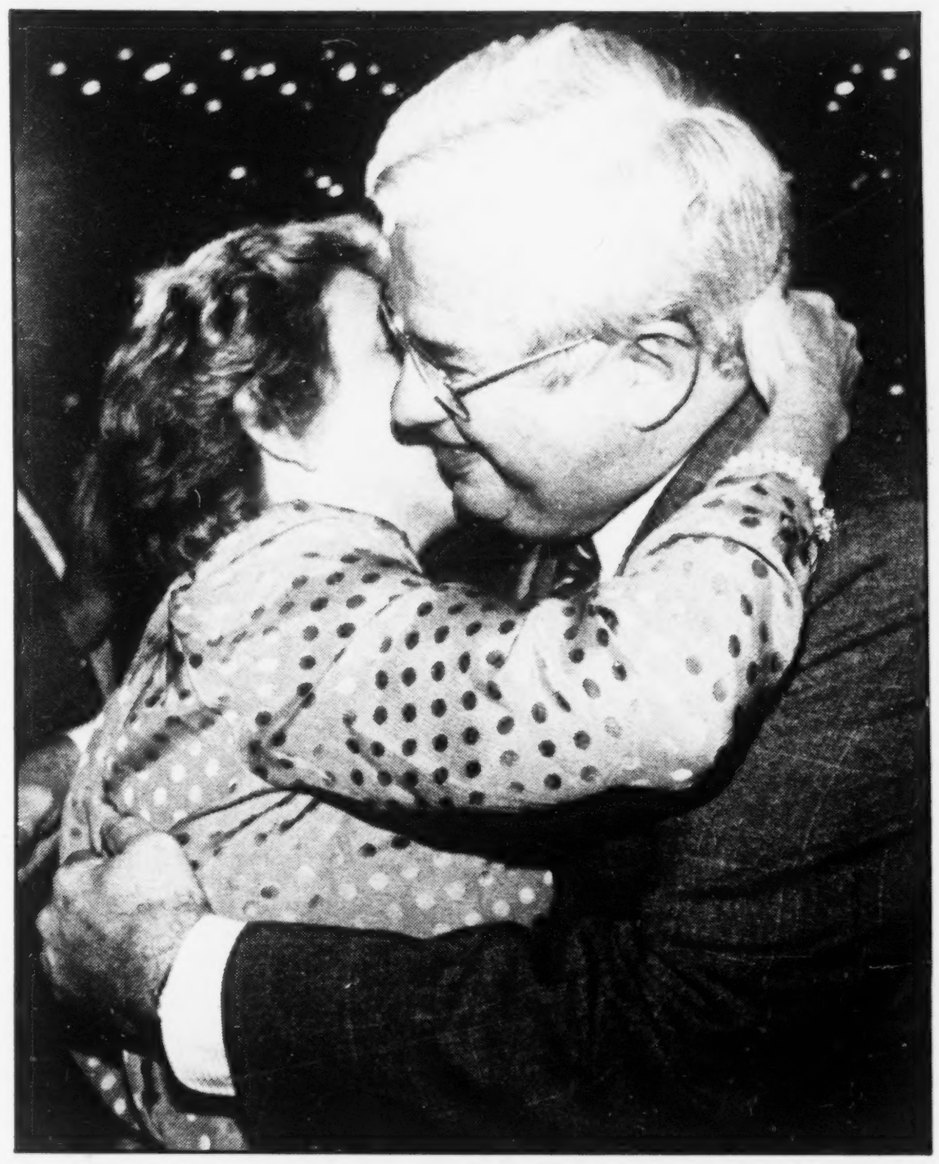
NEW ORLEANS—Howard Varner, who shaped Host International into a leading force in airport terminal feeding and dinnerhouses, won the coveted 1981 Man-of-the-Year award at the Multi-Unit Food Service Operators (MUFSO) conference here late last month.

Elected by readers of conference-sponsor *Nation's Restaurant News* as the chain executive who has contributed the most to the industry, the chairman, president and chief executive officer accepted the silver cup engraved with the names of his 10 predecessors in a joyful reunion with his wife who had been secretly flown in from their Pacific Palisades, Calif., home.

Varner, 56, was joined at the podium by Jim Peterson, Whataburger president, who was 1980 MUFSO Man-of-the-Year. "I want to thank all the 14,000 people at Host who made me look good," said Varner with characteristic modesty.

Varner was one of six 1981 Golden Chain Award Winners selected by the panelists from last year's MUFSO conference. The other winners were Gene Bishop, president of Morrison Inc.; Ray Danner, Shoney's Inc. chairman; Jack Goodall, presi-

(Continued on page 54)



A surprised Howard Varner embraces his wife Mary—secretly flown in—after receiving Man-of-the-Year Award.

NRA board agrees to oppose restrictions on revenue bonds

HERSHEY, Pa.—The National Restaurant Association's Board of Directors has voted to oppose restrictions on commercial industrial revenue bond availability.

The action was taken at the board's fall meeting here last month. It followed vigorous debate and came just one day after many of the same individuals, acting as the Government Relations Committee, recommended opposing proposed restrictions.

Debate on the issue was spurred by those who felt the industry should not support special interest tax breaks. Their opponents called Industrial Revenue Bond (IRB) financing necessary to encourage growth-oriented restaurant and lodging chains to move into marginal markets.

Currently before Congress are separate measures introduced by two New York Democrats—Rep. Charles Rangel and Rep. Henry Nowak—both of which would prohibit states and municipalities from issuing tax-free industrial revenue bonds to commercial businesses located outside impoverished or "economically disadvantaged" areas.

The real boom in IRB activity only began about five years ago, however, as fast-food burger chains and other commercial businesses started using industrial revenue bonds extensively to finance their expansion programs. As recently as 1975, IRBs accounted for only 4% of all tax-exempt state bond issues. By last year that proportion had climbed to 15%, and government tax officials contend that corporate demand for the bonds will continue to increase sharply during the 1980s.

According to a recent Congressional Budget Office study, the Federal revenue loss resulting from industrial revenue bond issues reached $700 million last year, and should top $1 billion in 1981. Unless Congress checks the growth of IRBs, C.B.O. economists predict that the total U.S. Treasury loss will climb to $2.9 billion by 1986.

So far, most "solutions" to the IRB "problem" have centered on proposals to limit the availability of these tax-exempt bonds to restaurants and other commercial businesses, which critics contend are "less deserving" of tax breaks than manufacturing facilities which "import" money and jobs to communities.

Any new legislative restrictions on food-service in-

(Continued on page 53)

Leading political figures add clout to NRA meeting

HERSHEY, Pa.—Walter Conti, 1981-82 chairman of the National Restaurant Association, hailed the appearance of two leading political figures here as "an indication of the recognition that the hospitality industry is finally receiving."

Conti was instrumental in getting Pennsylvania Gov. Richard Thornburgh and Sen. Arlen Specter (R-Pa.) to give talks and mingle with restaurant leaders at the NRA's board meeting in the Hotel Hershey last month. Thornburgh gave the welcoming address, and Specter (elected to the Senate last November), spoke to the NRA's Political Action Committee.

Both Conti and NRA president and chief executive officer Robert Bradford have emphasized the need for the NRA to carry more clout in Washington and in state capitals. Both feel that the appearances of Thornburgh and Specter here show progress is being made in that direction.

The winter NRA board meeting is scheduled for early 1982 in San Antonio.

Popeyes to open overseas; eyes major growth in 1982

JEFFERSON, La.—Popeyes Famous Fried Chicken is opening its first international unit next month in Malaysia and plans to accelerate expansion in foreign and domestic markets in 1982.

The 272-unit chain, which anticipates fiscal 1981 sales of $155 million, a 14.5% increase over 1980, is testing a wide variety of new menu items at an experimental mall unit in nearby Metarie. At least one of those products, a meat pie, could be rolled out in the near future.

An experimental family-style restaurant is on the drawing boards in the company's research and development department at headquarters here and will be built next year, according to top company executives.

Experimentation is playing a big role in the company's strategy. "As a franchisor, we have to test different things," Alvin Copeland, the 36-year-old chairman and president, told *Nation's Restaurant News*. "That's what they pay us for."

Popeyes, the No. 3 chicken chain behind KFC and Church's, was founded by Copeland in 1972. The concept is based on a spicy, cajun-style fried chicken product.

Company-owned and franchised stores have average unit sales of about $625,000—considered high for the chicken segment. KFC's average annual sales at company stores are about $427,000 and at franchised stores about $370,000, while the 1,300-unit Church's chain has average unit sales of about $402,000.

Customer counts, according to Popeyes executives, are up this year, and chainwide sales have increased about 4.5% after adjustments are made for price increases.

Popeyes owns and operates 69 stores in three major metropolitan markets, New Orleans, Atlanta and Houston. New Or-

(Continued on page 53)

FINANCIAL NEWS

Hardee's sales hit $1 billion

ROCKY MOUNT, N.C.—Hardee's Food Systems is now a $1 billion-a-year company.

A 12-month systemwide sales analysis revealed that from July 1980 to June 1981, sales for all stores hit $1,016,390, up 16.3% from the prior period.

Hotel chain targets U.S. cities

HONOLULU—Inter-Continental Hotels Corp., whose hotels include the Mark Hopkins in San Francisco and the Inter-Continental Maui, has expanded its Pacific-Asian division to include United States regions. It is scheduled to move division headquarters to Honolulu this month.

The Asia-Pacific division was formerly headquartered in Bangkok. The expanded division now includes Hawaii, Pacific Coast states and western Canada, which were previously part of the North American division.

Also included in the division are hotels in Bangladesh, Hong Kong, Indonesia, Japan, New Zealand, the Philippines, Saipan, Singapore, Sri Lanka and Thailand.

Honolulu was selected for the new headquarters because of a major expansion push that will include hotels in major gateway cities in North America.

Inter-Continental is looking at possible hotel sites in Boston, Houston, Dallas, Los Angeles, New Orleans, Chicago, San Diego, Washington, D.C. and Hawaii.

The company, owned by Pan American World Airways, is in the process of being sold to Grand Metropolitan Ltd., a British conglomerate

Pan Am needs the $500 million that Grand Metropolitan is willing to pay for the chain to bail out its airline operations, which have been running at a deficit.

In 1980, Inter-Continental earned $42 million in pretax profit on revenue of $274 million.

Pizza Inn reports gains in 2nd quarter

DALLAS—Pizza Inn reported net earnings for the second quarter ended June 28 were $590,000, a 1% increase over the prior year.

Total revenues for the second quarter were $34.5 million compared to $30.4 million for 1980, an increase of 13.4%. For the six months total revenues were up 11.9% from $60 million to $67 million. Net earnings fell 5% for the six months from $935,000 in 1980 to $888,000 in 1981.

F. J. Spillman, president and ceo, said it was gratifying to see the first quarter trend to increased volumes continue. Average restaurant volumes during the second quarter were up 15.2% over the same period in 1980, he said.

The introduction of the recently developed sandwich line and newly refined Sicilian topper are on schedule. Although these items did not significantly impact volumes for the quarter, the programs did have a positive effect on earnings.

Dr. Pepper set for acquisition of Canada Dry

NEW YORK—The Dr. Pepper Company has agreed in principle to acquire the business and most of the assets of Canada Dry, a subsidiary of Norton Simon Inc. The nature of the transaction and its estimated value were not disclosed.

Several analysts said the move would solidify Dr. Pepper's market position as the third largest soft drink company, after Coca-Cola and PepsiCo. Dr. Pepper is just ahead of the Seven-Up Company.

Canada Dry, the seventh largest soft drink producer, achieves a bulk of its sales from ginger ale, club soda and tonic water.

Food-service chain stock analysis table

Data provided by Media General Financial Services, Inc., Richmond, VA 23261

		PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Sept. 25							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5 Year Annual Growth Rate	Profit Margin					(Last Fiscal Year) In $Millions			(Last Fiscal Year) Per Share		
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52 Week High	52 Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt	Pct			P/E Ratio Today	Indicated Dvd Rate Amt	Indicated Dvd Rate Yield	Last X-Dvd Date	Revenue	Earnings	Current Ratio	Long Term Debt	Stock Equity	Last Bal Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$	$	—	$	$	—
Aca Los A Res	ALAR	6.50	5.38	5.38	-1.25	-18.87	10.63	5.38	-.73	-2.56	-6.63	36.54	.34	-.01	Q	-2.9	14.0	5.8	16.3	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	14.63	10.50	11.25	-3.38	-23.08	21.88	10.50	-.24	-3.95	.63	38.02	1.67	.40	F	31.4	73.0	6.3	6.7	.20	1.8	07-27-81	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	29.50	26.75	27.00	-1.13	-4.00	37.25	26.75	.10	-.56	-3.08	-9.30	5.33	-.36	N	-6.8	7.0	2.3	5.5	2.00	7.4	08-26-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	6.25	5.50	5.50	-.38	-6.38	8.63	4.38	.37	-1.41	2.21	31.25	.80	-.37	N	-36.6	-2.0	3.3	8.6	.12	2.2	06-02-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.38	2.88	2.88	-.13	-4.17	4.88	1.50	.12	-.52	-1.69	38.97	.47	.14	S	31.8	41.0	2.3	5.0	.00	.0	00-00-00	37.0	1.0	.8	1.4	2	1079
Bob Evans Farms	BOBE	20.84	17.75	17.75	-2.94	-14.20	22.69	15.19	-.01	-1.68	-.04	-6.12	1.35	.29	S	26.1	33.0	9.1	12.7	.52	2.9	05-04-81	125.2	11.4	1.7	.0	5	0480
Bonanza Intl Inc	BNZA	2.38	2.13	2.13	-.25	-10.53	6.88	2.13	-.69	.00	-.67	14.50	.24	-.43	S	-286.6	-16.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel	BHCO	11.88	10.13	10.13	-1.50	-12.90	13.16	6.00	.20	-2.12	-.05	11.08	.44	-.14	S	-28.0	25.0	4.2	28.1	.08	.8	08-11-81	104.3	4.4	1.0	8.5	3	1280
Calny Food	CLNY	12.50	11.25	11.25	-1.25	-10.00	15.50	8.50	-.01	-.21	-7.39	-61.54	1.35	-.29	Q	-17.1	8.0	2.2	-8.0	.20	1.8	07-01-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	5.63	4.50	4.75	-.13	-2.56	12.88	4.38	-.41	.56	.77	2.75	.95	.31	F	48.4	49.0	2.4	5.0	.07	1.5	11-17-80	66.4	1.2	.5	13.2	4	0580
Chart House	CHHO	16.38	15.25	16.00	-.13	-.78	22.88	10.06	-.38	1.96	.75	-17.13	1.75	.26	S	16.0	12.0	4.9	8.5	.52	3.3	07-16-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	18.63	15.13	15.13	-3.00	-16.55	27.25	11.94	-.63	-2.39	.44	21.80	.46	.36	Q	180.0	35.0	12.4	27.0	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	11.88	9.50	11.38	.88	8.33	12.38	5.63	.61	2.90	5.00	23.19	.69	.16	N	22.8	14.0	2.8	13.2	.40	3.5	06-24-81	118.8	3.3	2.5	1.1	5	0780
Churchs Fr Ch	CHU	29.63	27.75	28.13	-1.63	-5.46	37.38	23.25	.22	1.27	-2.30	-2.12	3.01	.23	S	7.5	24.0	9.9	8.6	.84	3.0	07-27-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	2.88	2.75	2.75	-.13	-4.35	4.63	1.50	.10	.19	-3.38	-2.83	-1.43	-1.09	F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	16.13	13.75	13.75	-2.13	-13.39	19.88	9.50	.11	-.85	.68	7.39	2.08	.31	Q	15.1	5.0	2.8	5.9	.32	2.3	06-24-81	265.2	7.5	1.4	14.2	17	0481
Dennys Inc	DEN	27.00	22.13	22.38	-2.13	-8.67	31.75	17.13	.30	-1.54	3.81	-4.31	2.96	1.03	F	53.3	6.0	3.2	7.6	.88	3.9	09-03-81	708.8	17.0	1.1	27.6	17	0680
Dunkin Donuts	DUNK	13.63	11.63	11.63	-2.00	-14.68	18.25	9.34	-.09	-.29	-2.22	5.08	1.53	.35	N	24.6	21.0	8.2	6.6	.30	2.6	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	6.88	6.25	6.38	-.75	-10.53	8.50	4.75	.10	-.83	-3.31	-1.92	1.45	.25	F	20.8	10.0	3.0	4.4	.38	6.0	09-29-81	97.0	2.9	1.2	7.5	13	0581
Ginos	GNO	8.25	7.00	7.88	.50	6.78	12.13	6.75	.42	4.07	5.05	38.04	1.67	1.40	S	NE	1.0	1.4	8.6	.44	5.6	08-13-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.75	6.75	6.75	.00	.00	9.00	6.25	.78	1.15	-8.71	-75.00	.27	-.95	F	-77.8	-16.0	.7	25.0	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	3.25	3.00	3.00	-.50	-14.29	12.00	3.00	-1.56	-.09	-1.39	-34.00	.44	-.20	N	-34.4	-10.0	8.6	7.9	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	39.00	33.75	34.00	-4.38	-11.40	52.25	33.75	.21	-1.75	-3.06	45.00	4.00	.26	S	6.7	37.0	20.3	8.3	1.60	4.7	08-31-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	25.25	22.38	22.50	-2.75	-10.89	33.25	21.13	-.19	.05	1.71	10.39	2.92	.52	S	20.1	27.0	7.1	7.3	.74	3.3	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	35.50	34.25	34.25	-4.75	-12.18	48.75	32.25	-.21	.36	-1.50	-50.00	NA	NA		NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	9.63	8.00	8.50	-1.13	-11.69	22.38	8.00	-1.11	.22	3.11	-11.24	.96	.00	S	.0	41.0	3.1	8.6	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	14.88	12.00	12.50	-2.50	-16.67	24.25	12.00	.54	-.74	.86	-17.85	2.74	-1.05	S	-36.3	13.0	3.9	6.8	.60	4.8	09-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.75	7.00	7.50	.75	11.11	9.38	4.88	-.21	.07	-.39	5.56	.80	.10	N	12.6	68.0	3.3	8.4	.00	.0	08-24-81	39.1	1.3	.9	6.0	3	0880
Imperial Grp	IMT	1.31	1.13	1.19	-.06	-5.00	2.00	1.13	.26	1.36	-6.42	74.31	.62	-.15	S	-21.1	28.0	2.1	2.1	.16	13.5	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	12.75	12.25	12.25	-.50	-3.92	13.25	7.50	.71	1.03	-2.40	29.84	1.34	.31	F	30.0	56.0	6.1	9.1	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.50	1.88	1.88	-.75	-28.57	3.38	1.75	-.89	-1.47	-3.57	-58.77	-.57	-.56	N	NE	-37.0	-3.0	NE	.00	.0	10-09-79	30.5	-.9	.9	6.9	4	0680
JBs Rest	JBBB	3.38	3.00	3.00	-.50	-14.29	4.50	2.63	-.51	-.09	.21	34.48	.35	.54	N	NC	-2.0	2.0	5.6	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	21.25	19.00	19.00	-2.25	-10.59	27.63	13.50	-.24	-1.17	-.76	-6.95	1.70	.39	F	29.7	15.0	5.5	11.2	.12	.6	08-18-81	313.6	15.1	1.2	3.9	8	0680
Kapok Tr Inns	KTI	3.88	3.50	3.88	.13	3.33	4.88	3.25	.30	2.07	1.82	-3.85	.26	-.43	N	-143.3	-21.0	3.6	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	12.00	10.75	10.75	-1.25	-10.42	16.25	10.75	-.81	-.73	-2.56	-38.19	.58	.67	Q	NC	159.0	5.9	16.0	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	5.50	4.75	4.75	-.75	-13.64	9.00	4.50	-.56	-.44	-1.73	26.16	-.60	-.60	Q	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	25.75	24.25	24.25	-.75	-3.00	28.19	17.00	.65	-.12	5.96	1.57	1.19	.28	N	25.2	25.0	8.9	17.4	.48	2.0	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	5.75	5.00	5.00	-.50	-9.09	7.28	5.00	-.14	-2.42	.19	21.35	1.15	.08	F	7.4	9.0	5.8	4.3	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	34.50	32.25	32.50	-1.38	-4.06	47.00	27.13	.02	.81	1.56	-57.54	2.60	.70	S	31.5	29.0	4.2	11.1	.24	.7	09-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	61.50	57.50	58.13	-1.88	-3.13	70.25	43.38	.47	-.23	3.43	-13.48	5.49	.99	S	19.5	19.0	10.1	9.6	1.00	1.7	07-28-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.75	8.38	8.38	-.38	-4.29	13.88	8.38	.42	-1.65	-.15	2.17	.95	-.04	F	-4.0	7.0	3.9	8.8	.32	3.8	07-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.63	2.25	2.25	-.38	-14.29	4.75	2.25	-1.33	-1.14	-.06	12.50	.19	-.63	Q	-81.8	47.0	.5	16.1	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.06	.88	.88	.00	.00	2.38	.88	-.28	-1.62	6.82	34.66	-.34	-.29	S	NE	-78.0	-2.8	NE	.00	.0	00-00-00	24.9	-.7	.3	.7	3	0380
Oakbrook Cons	OKCO	10.25	9.25	9.25	-1.00	-9.76	12.25	9.25	.01	-.48	4.53	-80.00	1.28	-.16	F	-11.1	19.0	1.0	7.2	.32	3.5	03-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	8.63	7.38	7.75	.50	6.90	9.25	5.00	.63	2.01	-.32	36.45	.50	-.94	N	-51.0	23.0	3.0	8.6	.15	1.9	08-20-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	16.25	14.63	14.63	-1.50	-9.30	19.00	11.88	.27	-1.22	3.04	23.34	1.30	.25	F	23.8	13.0	6.1	11.3	.48	3.3	09-09-81	115.4	6.4	1.2	.0	6	0680
Pizza Inn	PZA	7.50	6.13	6.13	-1.25	-16.95	11.50	3.88	-.38	-1.90	-.51	-10.84	.59	.08	S	15.3	-3.0	1.4	10.2	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	14.75	11.75	12.38	-2.25	-15.38	19.75	9.88	.26	-2.14	-.05	.76	.60	-.25	S	-17.0	1.0	.8	10.1	.40	3.2	09-15-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.50	5.50	5.50	-.50	-8.33	12.50	5.50	-.12	-2.06	-6.83	-7.00	.53	.36	S	112.5	26.0	4.1	8.1	.12	2.2	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.00	4.25	4.25	-.63	-12.82	8.25	3.13	-.29	-.65	.62	6.42	.64	.49	S	84.4	28.0	1.6	4.0	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	18.00	16.13	16.13	-1.25	-7.19	23.75	7.25	.06	-1.03	-.15	-19.83	2.36	.85	F	56.2	2.0	1.4	6.8	.44	2.7	08-17-81	733.0	7.2	1.1	14.9	13	0680
Sambos Rests	SRI	4.00	3.00	3.00	-.75	-20.00	7.88	3.00	-.33	-2.64	-2.21	23.00	-1.05	3.88	S	NE	-61.0	-2.4	NE	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
Shoneys Inc	SHON	17.25	15.88	15.88	-1.38	-7.97	18.88	12.09	.24	-.07	-4.84	19.00	1.11	.23	N	21.4	21.0	5.6	12.2	.20	1.3	03-30-81	210.6	11.8	1.0	1.6	6	1080
Sonesta Hotel	SNSTZ	10.00	10.00	10.00	.00	.00	15.00	7.31	-.26	1.07	-5.15	62.12	2.24	1.56	S	127.8	101.0	3.6	3.6	.16	1.6	07-07-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2.50	2.38	2.38	-.19	-7.32	3.25	1.44	-.10	.34	-7.09	17.63	-.03	1.10	N	NE	-28.0	-.2	9.9	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Valles Steak	VLE	5.00	4.38	4.75	-.25	-5.00	7.75	4.25	-.44	2.40	1.37	36.21	-.22	-.35	Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	7.25	6.25	6.25	-.38	-5.66	11.25	5.88	-.01	-2.33	-2.67	17.87	-1.85	-.13	Q	NE	-39.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.00	6.88	6.88	-.88	-11.29	8.88	4.63	.45	-1.86	-.49	2.55	-.05	-.19	S	-50.0	-11.0	-.2	36.2	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	13.88	12.75	13.50	-.38	-2.70	19.38	8.59	.23	1.16	-1.18	17.22	1.33	.29	S	25.4	30.0	8.7	9.4	.28	2.1	08-10-81	347.0	30.1	.5	2.8	8	1280

All information in this table is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered in future editions.

*(KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings) Q—First quarter S—Six months N—Nine months F—Fiscal year *—Other than a quarterly multiple resulting from a fiscal year change*

FINANCIAL NEWS

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Acapulco Y Los Arcos	9 mos.	7/26	$ 19.122	37			$0.752	7
	3 mos.	7/26	7.584	47			0.271	10
Chi Chi's	3 mos.	7/31			$ 6.403	71	0.963	93
Cindy's Inc.	3 mos.	7/24			3.600	– 10	(0.485)	
Consul Corp.	3 mos.	8/31			3.177	135	0.187	**
Hamburger Hamlet	3 mos.	6/28	7.772	26			0.259	270
Int'l Multifoods	6 mos.	8/31	558.175	14			9.928	32
	3 mos.	8/31	278.800	10			6.027	16
Isaly Co.	6 mos.	7/31	17.046	– 4			(0.693)	
	3 mos.	7/31	9.352	– 5			(0.161)	
Judy's	6 mos.	7/31			24.100	32	0.688	30
	3 mos.	7/31			13.100	38	0.401	30
Nathan's Famous	13 wks.	6/28			4.857	– 27	0.335	489

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Shoney's net jumps 24%

NASHVILLE—Shoney's Inc., operator of 714 restaurants in several segments, reported net income for the third quarter ended Aug. 2 up 24% over year-earlier figures to $3.8 million.

Revenues for the period were up 26% to $66.3 million.

For the first nine months profits were up 24% to $8.9 million and revenues up 24% to $202.5 million.

The company's board of directors declared a 4 for 3 stock split. The additional shares will be distributed Oct. 12, to stockholders of record Sept. 29, 1981. The board also declared the regular quarterly cash dividend of $.05 per share based on shares outstanding prior to the split. The cash dividend is payable on Oct. 9 to shareholders of record Sept. 22.

Shoney's president, David K. Wachtel, who was named ceo effective Nov. 1, said "During the quarter comparable restaurant sales showed average gains of 14.3%. After adjusting for menu price increases, the average real sales gain for all company units was 7%. Through the first nine months of this fiscal year, the company had a net increase of 40 company-owned units, consisting of 12 Shoney's, 26 Captain D's, a Kentucky Fried Chicken unit and a Fifth Quarter Steak House."

On Aug. 2, 1981, the company had 714 restaurants including 323 company-owned and 391 franchised units.

Sea Galley net profits climb 144%

MOUNTLAKE TERRACE, Wash.—Sea Galley Stores Inc., which owns 26 Sea Galley Restaurants in the Far West and 21 Family Fish Houses on the East Coast, reported net profit rose 144% to $619,000 for the second quarter compared with the same period of the previous year.

Sales for the quarter were up 172% to $13.6 million.

Gains for the quarter, hard on the heels of a first quarter when profits nearly doubled, reflect the consolidation of the Sea Galley Restaurants with the newly acquired Family Fish Houses, according to president Steven Dowen.

The company has sold the unpromising units of the chain it acquired as a distressed property from the Macke Company earlier this year, making back almost the entire purchase price of the chain.

NEW PRODUCTS
in every issue

Associated Host net rises

BEVERLY HILLS—Associated Hosts, which operates 84 restaurants and four hotels in 26 states, reported net income rose 32% to $663,000 for the three months ended June 27, 1981. Net income for the nine months ended the same date dropped 22% to $1,749,000 from last year's figures.

Total revenues for the third quarter rose 4% to $20,363,000 over 1980 figures and total revenues for the nine months rose 2.8% to $60,003,000.

Joseph Bulasky, ceo, said that the company was happy with its third quarter gain, which reflected "improved profit margins." Bulasky noted recession, inflation and persistent high interest rates will have some effect on the business.

Chart House Restaurants reports net profit rise

LAFAYETTE, La.—Chart House Inc., operator of Chart House Restaurants, Cork 'N Cleaver and more than 360 Burger King units, reported net profits rose 18% to $4.6 million for the second quarter ended June 30 compared with the same period the previous year.

Sales for the quarter were $90 million, up 16%.

Stabilized meat prices and improved midlevel management are responsible for the continued steady growth reflected by the second quarter results, according to W. E. Trotter II, chairman of the board.

He attributes the company's strong cash position to an ability to finance all capital expenditures from internal operations.

He warned that the costly development of Chart House's new concepts—Luther's Bar-B-Que and Cisco's Cafe—will prevent these divisions from realizing significant returns until conversion, training and construction are complete in mid-1982.

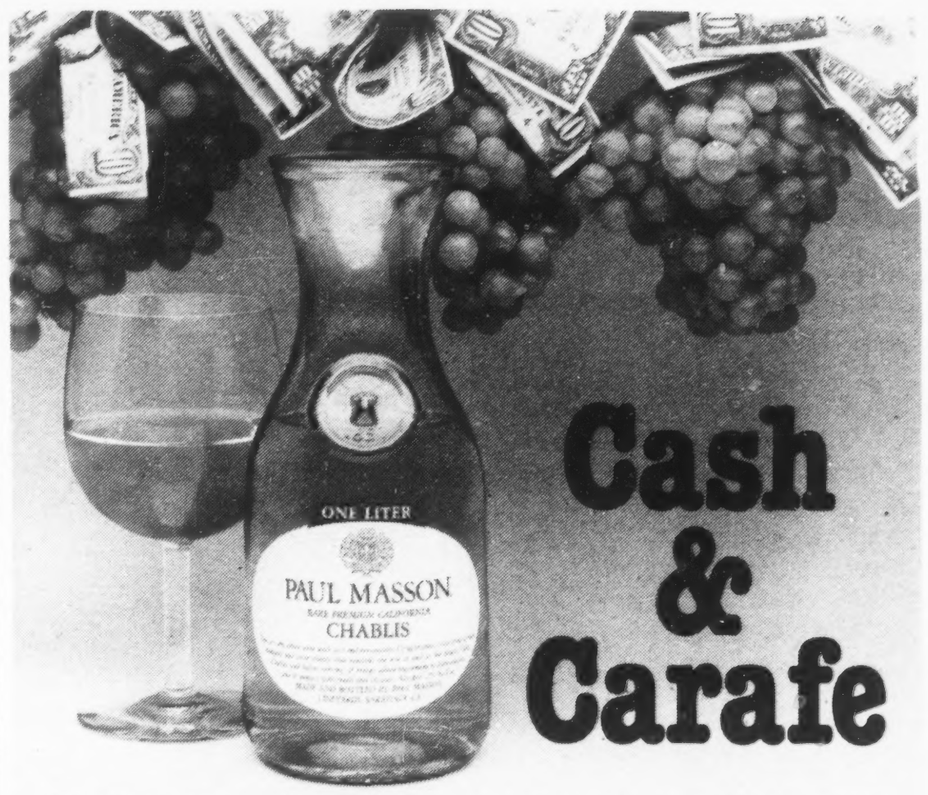
Contracts to Volume Svs.

CHICAGO—Volume Services, a division of Interstate United Corporation, has been awarded seven new food-service concession accounts and has renewed three other contracts for existing operations over the past four months, the company said.

The new accounts include the Hubert H. Humphrey Metrodome Stadium in Minneapolis, Minn.; the Casper (Wyo.) Events Center, and the Orange County Convention-Civic Center in Orlando, Fla. All three facilities are still under construction.

Renewal contracts were signed for the Tucson, Ariz., Community Center; Sacramento, Calif., Community Center, and the Ala Wai golf course and clubhouse in Honolulu.

Chicago-based Interstate United Corp. operates employee cafeterias, food vending outlets, school food-service programs, health care dietary services, and concessions in recreation and convention centers, stadiums, beaches and parks.



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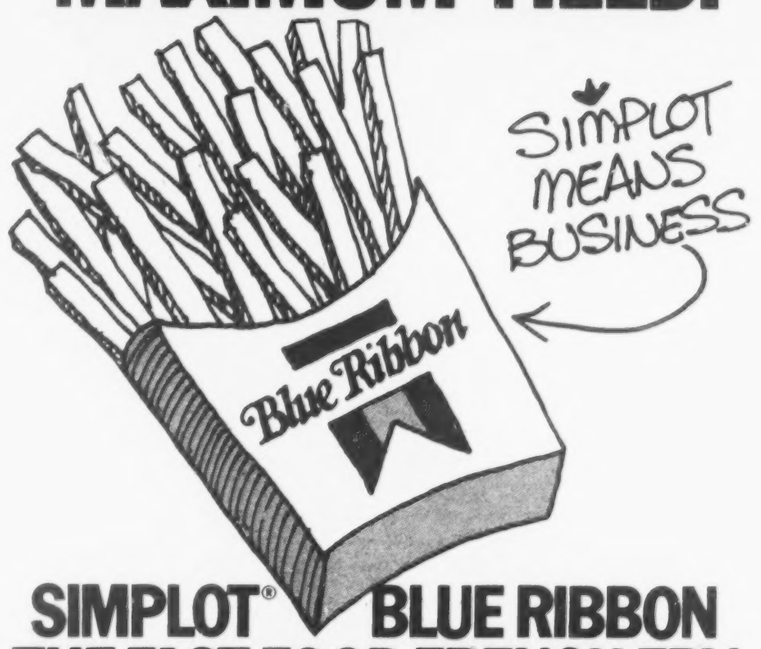

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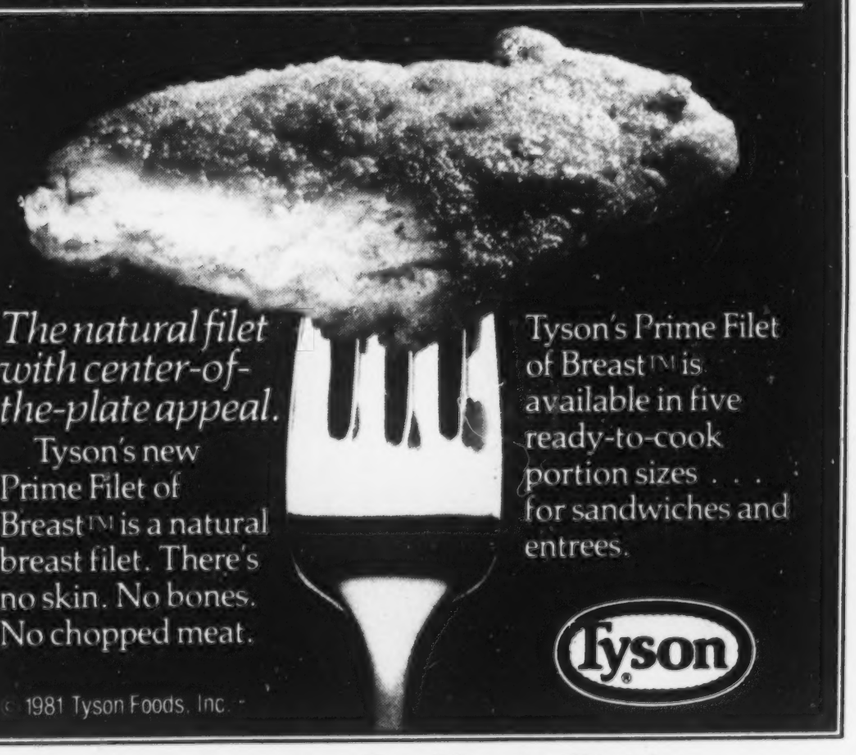

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ATTITUDE SURVEY

How employees rate their jobs—Pages 15-17

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Chains embrace creative financing

By Joe Edwards

The corporate accountant was obviously scornful of the executive from a competing company who, earlier in the day, had sheepishly admitted keeping a money-losing dessert item on his chain's menu because, in the executive's words, "I'm an ice cream freak."

"We had those sacred cows, too," the accountant said, but it was clear from his tone that sentimentality and whimsy had no place in his company's new no-nonsense strategy.

To prove his point, the accountant related how his chain canceled the rollout of a popular test item because its food cost was *one quarter of one per cent* higher than the original estimates.

Perhaps more than at any point in recent chain restaurant history, the crushing cost of doing business is worrying operators and franchisees. Faced with rising expenses across the board, and the staggering cost of borrowing money, they are paying extra careful attention to the comings and goings of every dollar.

Nowhere is this attention to detail more evident than in the area of financing capital expenditures. With the prime interest rate hovering around the 20% mark in recent months, and expected to stay in the stratosphere in 1982, operators have been seeking out alternative means of financing unit growth and major purchases.

True, some chains have postponed major expansion and renovation projects because interest rates are too high, but others have been aggressively seeking out different ways of finding the cash to finance their projects.

Traditional financing is out of the question for some large corporations, smaller companies and individual franchisees caught in a cash squeeze. It's just too expensive. As one

(Continued on page 107)

ANOTHER SUCCESSFUL MUFSO CONFERENCE

The 22nd annual MUFSO conference, sponsored by *Nation's Restaurant News*, drew some 800 operators, suppliers and guests to the Fairmont Hotel in New Orleans. Full conference coverage appears on Pages 43-70.

Tourism bill holds big promise

WASHINGTON—Congress passed a compromise national tourism bill that food-service lobbyists predict will generate hundreds of millions of dollars in extra restaurant patronage annually.

Although the measure does not call for the creation of a new cabinet-level Department of Tourism—a provision supported by the National Restaurant Association and other travel-sensitive industry groups—NRA said that the new law should "increase the almost $40 billion spent annually by travelers in the nation's eating places."

The amount spent by foreign visitors on restaurant meals each year is only a fraction of this—about $2.5 billion, according to NRA estimates—but restaurant leaders regard this as extra business for eating establishments in the United States.

For some two years now, NRA has been pushing for new Federal programs to encourage tourism, but with mixed results. Late last year Congress approved legislation creating a new Federal Department of Tourism, only to have that bill vetoed by President Carter. The incoming Reagan Administration proved to be equally opposed to such a new cabinet-level agency and threatened to veto the legislation again this year.

Rather than risk another defeat, NRA and other tourism industry groups began pushing for the compromise version that cleared Congress.

Under the final bill—which is expected to be signed into law by President Reagan—the old United States Travel Service

(Continued on page 107)

LATE NEWSBREAKS

Krystal, Chattanooga, Tenn., with 200 fast-food units in nine Southeastern states, says it will add 50% more restaurants in the next five years. The chain "has made a long-term commitment to growth both within and outside traditional Krystal territory," president Carl Long said.

United States hotel occupancy rates fell to 69.1% for the first half of the year, a 3.9% drop from last year, according to hotel accountants Pannell Kerr Foster. However, 12.1% average room rate increases boosted daily room revenues 7.2% to an average $54.82. (Full details, next issue.)

Victoria Station reported $391,000 net profits for the second quarter ended Sept. 13, compared to a loss of $1.6 million for the same period last year. First half profits were $1.1 million, compared to a $2.8 million loss.

Mexican segment

Dinnerhouses enjoy major growth, profit boom . . .

By Charles Forman

Mexican dinnerhouse chains are plunging ahead with ambitious unit growth plans, barely paying heed to potential pitfalls.

Low food costs, high liquor sales and comparatively healthy customer counts are translating into highly profitable operations—and effective expansion lures.

For a statistical breakdown of selected leading Mexican Dinnerhouses see chart on Page 108.

Dangers of market crowding and overextension seem ignored.

Stock-market-hot Chi-Chi's, General Mills budding Casa Gallardo concept, California-centered Acapulco y los Arcos, and a dozen others are pushing hard to get more stores into operation.

Segment leader in sales, W. R. Grace's El Torito-La Fiesta chain is pacing this pack's rush to get established in developing markets in Midwest, Southeast and mid-Atlantic States.

The action is hot for others too.

Asked to name their competition, executives of the largest chains mentioned most often nine-unit Garcia's of Scottsdale.

W. R. Grace is putting chips on another entrant in the field besides El Torito with Gilbert/Robinson's Annie's Santa Fe concept.

General Food Corp.'s GuadalaHarry's, hurt by a store closing in Denver, plus a kickback scandal earlier this year involving top executives, can be counted back in the fray now, too.

Certainly part of the exceptional effort by these companies to get new stores operating is its recognition of the cause of the segment's popularity today as its positioning on the fringes of the "adult fun" market—a fashion business.

To capture available profits while they can, the expansion minded are taking almost any detour they can find to get around the roadblocks of high interest and construction costs.

Here are some of the major expansion efforts:

• Chi-Chi's added 18 units to a base of 14 in fiscal 1981 ended April 30. By next May the company says it will have about 55 dinnerhouses operating. (Thirty-seven are open now.) "The business is growing dramatically," said marketing vice president Jack Butorac.

Chi-Chi's has new units near Harvard Square (Boston) and in Rochester, N.Y.

(Continued on page 108)

. . . While fast feeders battle slump

By Diane C. Farewell

Growth in the Mexican fast-food market remains at a standstill.

Low unit volumes, high expansion costs and problems with consumer acceptance are pressuring this segment of the industry to change gears and seek out new strategies.

Already, decor and menu changes are in the works almost across the board, with several of the major chains hunting for new areas of expansion.

While Mexican dinnerhouses appear to be on the brink of a major surge, analysts are emphatic that the Mexican fast-food segment will not be a part of this growth. But at least some operators disagree; they are certain the tide is already turning, once again, in their favor.

Statistics from the U.S. Department of Commerce indicate that franchised Mexican restaurants had sales of about $750 million in 1980. However, sales growth dipped from a high of 60% in 1977-78 to only 8% in 1979-80.

Ronald Paul, president of Telenomic Consultants, con-

(Continued on page 108)

Shoney's seeks variety in bid for Famous Recipe

NASHVILLE—Shoney's Inc. has signed an agreement to acquire Cincinnati-based Famous Recipe Fried Chicken.

If concluded, the acquisition would considerably strengthen Shoney's restaurant arsenal. Shoney's now operates Big Boy family restaurants, Captain D's Fast-fish units, and dinnerhouse and specialty restaurants under three tradenames: Towne and Country, Fifth Quarter Steak Houses and Sailmaker Restaurants.

In another development, Shoney's reportedly intends to enter the Florida and Kentucky markets with its Towne and Country concept, which features family-style menus similar to Big Boys'.

The expansion would open up new territory for Shoney's, whose Big Boy franchising rights are limited to an 11-state region.

The company currently operates for Towne and Country units, which average about $1 million in sales annually.

Shoney's has agreed to pay an undisclosed amount in cash for the inventory and franchise rights of closely held Famous Recipe.

Principal stockholders—and founders—of the chicken chain are Harold Omer and Lee Cummings.

According to the agreement, Cummings will be retained as a consultant and Omer will continue to operate the 13 company-owned Famous Recipe units.

Founded in 1966, Famous Recipe operates 217 franchised chicken restaurants in 23 states. The majority of the units are in the Midwest. Omer said he will in essence become a franchisee of Shoney's as of Nov. 2, 1981.

He added that he decided to sell Famous Recipe because he felt the company needed a higher energy level and greater push to move ahead. Sales for Famous Recipe for 1980 totaled $85 million, Omer said. Thus far this year sales are up 9%, he added.

In purchasing the chicken chain, Shoney's had to dispose of its 22 Kentucky Fried Chicken stores to comply with a noncompete agreement with KFC. Shoney's has signed a letter of intent for KFC to acquire the franchises.

Sales at the 22 KFC units were over $10 million last year.

An agreement also was reached with KFC restricting company-owned and new franchisee expansion of Famous Recipes for a one-year period. This agreement includes other provisions which protect KFC's proprietary business and operating systems. Existing Famous Recipe franchisees are not affected by the agreement.

Shoney's president David Wachtel said that minor changes would be forthcoming at Famous Recipe chain but added that no extensive planning had been done yet.

U.S. bars 2 Australian firms

Mutton found in imported beef

By Ken Rankin

WASHINGTON—Agriculture Department meat inspectors turned up evidence that at least two additional Australian slaughterhouses are exporting contaminated meat which may have found its way into United States restaurants.

The latest discoveries bring to four the number of Australian meat plants which have been barred from shipping boneless beef to this country.

The new findings also produced a fresh twist: in addition to Australian beef shipments laced with horse and kangaroo meat, U.S.D.A. officials confirmed that some of the imported beef contained mutton.

The latest slaughterhouses cited by United States and Australian investigators are Steigers Meat Supply and Tabor Meats, both of which are located in the Australian cattle-producing state of Victoria.

A U.S.D.A. spokesman told *Nation's Restaurant News* that the agency's nationwide "species identification program" had confirmed the presence of mutton in boneless beef supplied by Tabor to firms in this country. Department officials refused to disclose whether any of this contaminated beef had been supplied to food-service operators.

Australian inspectors, meanwhile, notified United States authorities that some of Steigers exports contain horsemeat. Although the stocks of this contaminated product were not destined for shipment to the United States, Agriculture Department officials confirmed that some 1,600 boxes of Steigers meat has already been shipped to the country this year.

U.S.D.A. inspectors are attempting to track down these supplies for extensive testing, a department spokesman said.

The United States investigation has already resulted in a clean bill of health for at least 18 of Victoria's 51 slaughterhouses, and boneless beef

(Continued on page 107)

Industry feels bite of local taxes

VIRGINIA BEACH, Va.—This Tidewater city, one of the largest and fastest-growing in the state, has imposed a 6% tax on all restaurant meals.

The measure has already "cut business dramatically" at the city's 850 restaurants, according to Carol Foster of the Virginia Restaurant Association in Richmond. Tacked onto the city's regular retail sales tax, the levy produces a total tax on restaurant meals of 10%. This, added to the normal tip, presents patrons with a 25% increase in their bill for dining out. Many of them, according to Foster, take their business elsewhere instead.

Virginia Beach is only one of several communities, centered in Virginia but as far away as Illinois and Michigan, to exploit the restaurant industry as a source of extra revenue in a time when municipal and county governments are feeling the bite of a sharply reduced Federal budget.

The food-service industry, Foster speculated, was chosen as a target for several reasons. First, she said, local governments tend to envision restaurants as part of the tourist industry and, therefore, feel a tax on restaurant meals falls not upon locals, but upon out-of-towners.

She also attributed the movement to their perception that all restaurant meals are luxuries and can be taxed as such. Another reason restaurants were chosen, she said, might be the political diversity of the restaurateur community in many towns, which would make them more vulnerable to a tax.

But these reasons are ill-considered, she said. "Restaurant meals are not luxuries, they're a necessity," she said, stressing the growing number of two-paycheck families that eat out

To refute the Virginia Beach lawmakers' contention that restaurant-goers are tourists, she said that only about 100 of the city's 850 restaurants are tourist-oriented enough to close down during the off-season.

Two awarded NRN scholarships

NEW YORK—Winners of *Nation's Restaurant News* first annual scholarships to The Culinary Institute, Hyde Park, N.Y., are Janis Ruth Ford, 25, Farmington, N.M., and Jeannette I. Phillips, 22, Nashville, Tenn.

Ford and Phillips were picked for the scholarships from among numerous contenders for their degree of commitment to food-service work and the high quality of their experience.

Ford won the $1,500 first prize scholarship and Phillips the second prize of $1,000 after a judging committee headed by Ferdinand Metz, Culinary Institute president culled employers' recommendations and other data to determine the best candidates.

Ford, who will graduate from the Culinary Institute next spring, has been supporting herself since graduating from high school. She worked in the industry for seven years before enrolling at the Culinary Institute.

"I've worked both front- and back-of-the house," Ford said. She'd decided to become a chef, she noted, "because of the creative outlet I find there."

Phillips has two years of hands-on food-service experience. She's worked as a banquet cook, line cook, prep cook, bartender and waitress in a variety of Nashville restaurants. She'll start her studies at the Culinary Institute in January.

Students at the school receive an Associate in Occupational Studies degree upon successful completion of a 21-month course.

Jeannette Phillips, winner of second prize, $1,000 *Nation's Restaurant News* scholarship.

Seminars to examine design, management

NRN Special Report

Intensive two-day seminars on restaurant design and human resource management will be conducted in major cities during the next months. The seminars are sponsored by *Nation's Restaurant News* and the center for Retailing Management.

Ygal Sonenshine, president of Raygal Design Associates, Irvine, Calif., will lead the seminar titled "Restaurant Design: Facelift, Refurbishment or Full Remodel?" Seminars are scheduled for Oct. 29-30 in New York, Nov. 9-10 in Chicago, Jan. 18-19 in Los Angeles and Feb. 11-12 in Atlanta.

Directed primarily at restaurateurs, hotel and other hospitality industry managers, the seminar will examine investment vs. projected return; basic factors to remodeling; the limits of remodeling; energy considerations and many other subjects.

Emphasis will be placed on economic factors. "The most important consideration in remodeling, as with any economic venture, is return on investment," Sonenshine said, adding that the role of market research in the mix of financing, design, general contracting, merchandising, management and advertising will be discussed.

Raygal Design Associates was founded in 1971 and has grown from two employees to a staff of more than 70 with sales in excess of $20 million. Some of the companies services are front and back of the house design, interior and exterior design, selection of theme, merchandising and market analysis.

The second seminar called "Effective Human Resource Management for the food-service industry" was scheduled to start Oct. 19-20 in New York and was planned for Orlando on Oct. 22-23; later dates were Minneapolis on Jan. 18 and 19, Pittsburgh on Jan. 21 and 22, Houston on Feb. 1 and 2, Los Angeles on Feb. 23 and 24.

William E. Rogin is the seminar leader. Rogin is vice president of SHR International Inc.,

(Continued on page 107)

HIGHLIGHTS IN THIS ISSUE

NRN held its 22nd annual Multi Unit Food Service Operators (MUFSO) conference at New Orlean's Fairmont Hotel. Full coverage on *pages 43 to 70.*

In this issue *NRN* explores employee attitudes, focusing on how they feel and what operators can do to improve relations. *Pages 15 to 18.*

Employee morale unit level has not improved much in the past few years, according to a recent survey. *NRN* editor Charles Bernstein feels unit level must be regarded as the heart of this business and operators should pay heed to employee attitudes. *Page 6.*

***NRN* wine** and spirits columnist Mort Hochstein regards wine lists and presentation strategies as tantamount to a restaurant's success and operators can benefit from studying methods of "wine selling masters." *Page 85.*

Dallas-based El Chico is using a strategy that has been building its customer counts and increasing unit sales. *Page 34.*

Atlantic City casinos are creating a growing demand for more sophisticated menus. *Page 80.*

As the country's teenage population continues to decrease, its growing affluence is turning this group into a lucrative market for the restaurant industry. *Page 40.*

Greenwich, Conn., Showboat Inn and Restaurant along the waterfront is attracting businessmen, yachters and vacationers with its setting and varied facilities. *Pages 20 to 21.*

Clyde Griffith, National Restaurant Association legal counsel, speaks out against legal injustices suffered by food-service operators in the second installment of a two-part interview. *Page 105.*

REGULAR FEATURES

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Vol. 15, No. 22 October 26, 1981

Mex dinnerhouses putting chips on expansion

(Continued from page 1)

To the investment community Chi-Chi's is hot. Company stock has been selling at about 30 times book value.

The company's largest franchisee, Kelly-Johnston Enterprises, with five stores in Kansas and Oklahoma, itself just went public with a $6.6 million common stock offer.

- General Mills' Casa Gallardo has opened 11 units in 15 months; 12 are now in operation. "We have the backing and our expansion will continue," said Craig Miller, operations vice president. Casa Gallardo plans 15-20 new units per year in the Southeast and Midwest. General Mills executives say that on a per unit basis it's their most profitable concept.
- Acapulco y Los Arcos opened five restaurants in 1980, 11 so far in 1981, for a total of 27; plans are for three more units to open by year-end. A $10 million offering of convertible subordinated debentures was made to financial markets to replenish the expansion war chest. And "we're now willing to look at franchising," said James Doherty, president.
- GuadalaHarry's "is definitely expanding," said parent General Food Corp.'s corporate communications manager Terry Fassburg. A fourth unit will open in Chicago this month and a fifth "in a premium location right next to Quincy Market [Boston] this year or early next," Fassburg said.

Edward J. Power, formerly in charge of restaurant development and planning at General Food's White Plains, N.Y., headquarters is now based in Denver as GuadalaHarry's president.

- Chart House plans to proceed with conversion of many Cork 'N Cleavers to Cisco's Mexican dinnerhouses. Eight have been converted so far and the pace is expected to pick up. Conversion costs Chart House a reported $200,000 per unit, but after the initial conversions the chain was reporting 60% to 70% customer count increases —and the promise of substantially higher unit profits.

Industry sources have indicated that perhaps 25 more Cork 'N Cleavers may be slated for conversion.

Charthouse also has a prototype for building Cisco's from the ground up and plans to build four to six in the next year.

The Cisco's prototype was the work of a design team headed by Roy Guera, vice president for development, formerly with El Torito.

Chart House's evolving Cisco's division will be headed by Brian Bell, who is moving from a post as Cork 'N Cleaver vice president.

- "We're still expanding," said Fred LaFranc, marketing director, El Torito-La Fiesta, W. R. Grace's major competitor in the segment.

LaFranc targeted the Midwest and mid-Atlantic States as the prime untapped market areas for Mexican dinnerhouses.

Besides these and other companies already in the market, still other major restaurant companies are reported on the verge of joining the fray.

The spectre of growing competition only adds to segment participants efforts to, as one said, "go for the money and profit, take advantage of the low-food cost."

LaFranc explained the rush to be first in new markets in these words:

"Who's first sets a standard. They have the opportunity to establish a flavor that to people who were not previously acquainted with Mexican food becomes their idea of what Mexican food should taste like."

LaFranc noted that to meet the resistance of regional American tastes, "We've given ourselves enough latitude."

In fact, no one in the segment seems to be running into any particular problems with food acceptance. The menu served in these dinnerhouses is not spicy. Hot sauce is on the table for afficianados of the burning tongue.

Probably, the key to the segment is LaFranc's remark that "In many respects we're competing with T.G.I. Friday's and Bennigan's.

An abstract profile of the companies mentioned would indicate something very similar:

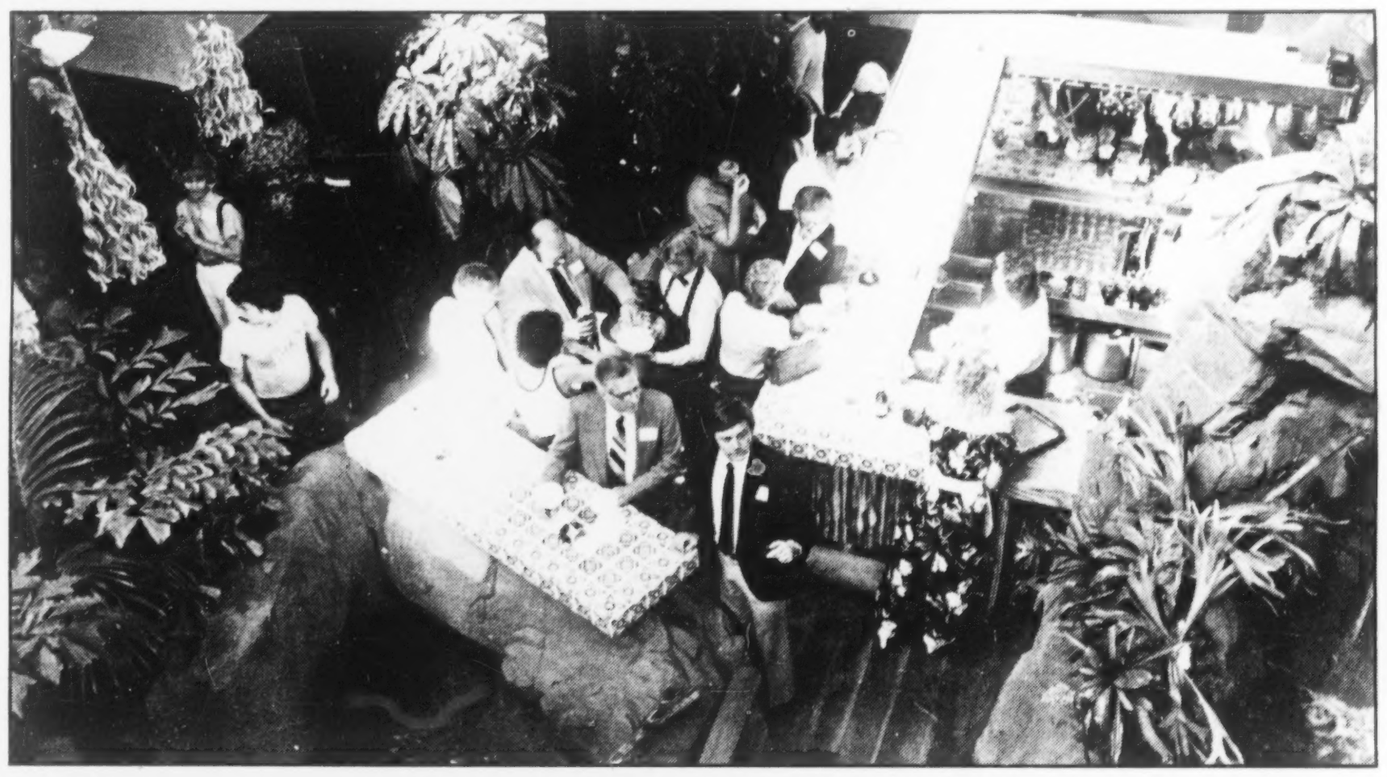
Food costs in the Mexican dinnerhouse segment are typically 25% to 30%. Liquor represents an average 35% of sales. Average checks range from $6.50 to $8. Unit volumes are about $1.5 million to $2 million. Although several of the concepts attract a broad range of customers, for all the most sought after are adult couples from 18 to 45.

Even if the food isn't hot, the Mexican dinnerhouse concept is today hotter than a pistol shooting uphill. But no one knows how long the profits will be there—and for how many.

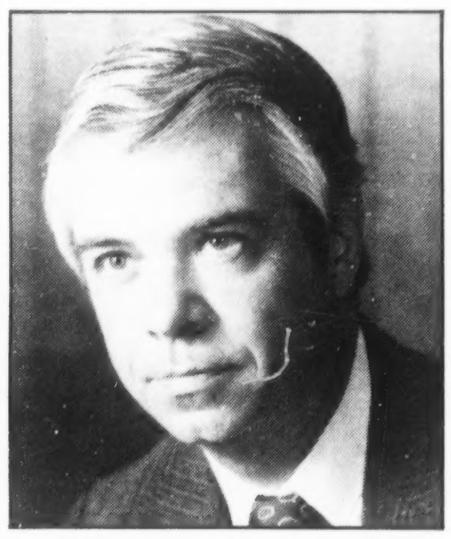
Selected Mexican Dinnerhouses

Chain	Hdqtrs.	Parent Company	Number of Units	Est. Avg. Vol. (millions)	Est. Systemwide Sales Current Fiscal Yr. (millions)	Avg. Dinner Check	Liquor/ Food Sales Ratio
El Torito-La Fiesta	Irvine, Calif.	W. R. Grace	80	1.90	141.0	6.50	—
Chi-Chi's	Louisville, Ky.	John Stephens & Co.	37	1.86	100.0	7.00	35/65
Casa Maria	Santa Monica, Calif.	Host Intl.	24	1.40	35.0	7.00	—
Acapulco y Los Arcos/ Ramons	Pasedena Calif.	—	27	1.50	27.5	—	34/66
Casa Gallardo	St. Louis	Gen'l Mills	12	1.90	20.0	8.50	35/65
Cisco's	Lafayette, La.	Chart House	8	1.10	10.0	9.00	—
GuadalaHarry's	Denver	Gen'l Foods	3	2.50	8.0	8.00	35/65

Source: *Nation's Restaurant News* statistics



Acapulco y Los Arcos is starting to look at franchising in its continuing expansion plans.



James Doherty
president
Acapulco y Los Arcos

Mexican fast feeders battle stagnant market

(Continued from page 1)

curred with other analysts that while the Mexican segment as a whole would enjoy growth in the 1980's, it won't be among the fast-food operations. "The competition from hamburger and chicken chains is too great," Paul said. "Mexican fast-food is there only to offer variety to the burger eaters."

But Mexican fast-food operators are determined to prove the analysts wrong. Citing strategies to increase acceptance of Mexican fast-food and a more favorable economy, chains have expressed confidence that sales will increase. Expansion, they say, will take place in the comparatively open markets in the Northeast and Midwest.

PepsiCo's Taco Bell—the largest chain in this segment with over 1,200 units—plans to open 150 new restaurants this year with 70% located east of Chicago.

Taking a more cautious tack is W. R. Grace's Del Taco Corp. which reportedly lost $2 million in 1980. In the past year, the chain has trimmed down from 185 units to 151. There are currently no plans for expansion, according to Richard Hynan, president.

Kentucky Fried Chicken's Zantigo chain has been reduced in size from a high of 99 units to 62. The company expects to start opening six to eight units in 1982. However, a company spokesman said, parent Heublein hasn't made a decision on whether to push ahead with the chain.

Several problems have haunted Mexican fast-food operations. First, public misconceptions about the product. Mexican food is generally thought of as hot and spicy. There is also an unfamiliarity with menu items and some chains have resorted to menu boards with pictures and brochures that phonetically show customers how to pronounce and order a burrito, tostada or taco.

Del Taco Corp. has a pamphlet to teach people through humorous illustrations how to eat a taco. Several chains—such as Taco Viva—offer a variety of sauces from mild to very hot, aiming to please everyone in their market. Still other chains offer both American items, such as hamburgers, and Mexican foods. This has been the concept of Del Taco Inc. from its inception.

Most operators agreed that more menu expansion is ahead as chains try to reach a broader market. Core items on most menus now consist of standard Mexican fare such as burritos, tacos and tostadas. Recently, taco salads have worked their way onto menus and dessert items, such as fried tortilla with cinammon, are on at least four menus.

Items being tested or recently introduced at various chains include: nachos at Taco Time, which also serves a burrito on whole wheat tortilla to stress nutritional value of the food; green chili verde (a pork product) at Taco Maker, which has 40 units; chimichangas and enpanadas at the 275-unit Taco John's, and chicken tacos and burritos at Del Taco Inc.

Del Taco Inc. is not associated with W. R. Grace's Del Taco Corp.

The menu isn't the only item being expanded. Some chains are breaking with traditional Mexican decors in an attempt to attract more traffic. Del Taco Corp., for example, has an upgraded decor with wood partitions, etched glass and padded seats. Taco Bell too is revamping its interiors to include more earth tones, plants and booth-like seating arrangements.

Smaller regional chains have also been upgrading units. Taco Time, for example, has been remodeling with earth tones and an atrium.

Some chains also see remodeling units that others have abandoned as a way to expand. Taco John's has been doing this at half what it would cost to construct a new unit, a company spokesman said. Other chains, though the exception and not the rule, have been advancing regardless of the interest rates. Taco Maker and Taco Viva are examples. Taco Viva has been expanding with company-generated financing.

While not in the position to expand, Del Taco Corp. is working to develop a smaller building requiring a smaller investment. Several other chains in this segment are also looking for new prototypes that will lower construction and investment costs.

Across the board, operators agree with the need for lower-cost stores. With the exception of Naugles, a 24-hour operation of 66 units based in Fullerton, Calif., which averages about $680,000 per store annually, most chains in this segment only average between $300,000 and $400,000 per store.

Some chain officials see a connection between the solid growth of the pizza segment and the potential growth of the Mexican fast-food segment. Both cuisines are attached to ethnic groups and both use spices and tomato sauce. The two segments also share menu items such as taco pizzas.

"As people get more accustomed to one, they will be willing to try the other," one company official said.

FINANCIAL NEWS

Dicon buys 2 units with plans to expand

CARMEL, Calif.—The Dicon Corp., previously the financial arm of a food distributor here, has acquired two area restaurants with plans to copy one of the units five times in the next year.

Dicon, according to Wayne Humphrey, vice president and partner, purchased Jensen's, a two-year-old coffee shop with 120 seats and a $5 check average in April. Humphrey said Dicon plans to build five units based on the Jensen's concept by a year from now.

Dicon has also acquired OZ, a 240-seat restaurant with a $12 check average and plans to glass in the 80-seat patio and install a moveable roof overhead, Humphrey said.

Humphrey projected revenues for OZ of $1.5 million after the remodeling. Jensen's, he said, had revenues last year of about $500,000.

City Investing to own GDV

NEW YORK—City Investing Co. was moving at presstime to acquire 100% ownership of GDV Inc. through a $20 a share tender offer.

City Investing owns over 80% of GDV, which in turn has a controlling interest in Sambo's.

Volunteer net soars 128% for 2nd qtr.

NASHVILLE—Volunteer Capitol Corp., the largest franchisee of Wendy's Old Fashioned Hamburgers in the country, reported a 128% increase in net profit to $461,616 for the second quarter ended June 30.

Net sales were up 26% to $18.5 million.

Volunteer Posts Fiscal '80

Volunteer Capitol Corp., which recently launched its own franchising venture, Mrs. Winner's Fried Chicken, posted a net loss of $101,300 for fiscal 1980. Fiscal 1979 profits were $1.7 million.

Profits Up

For the six-month period ended June 30, Volunteer Capitol profits increased from $6,700 to $488,826. Sales for the six-month period increased 22% to $34.5 million.

Volunteer Capitol operated 92 Wendy's and 38 Mrs. Winner's as of June 30.

Skipper's net up 24%

BELLEVUE, Wash.—Skipper's Inc., which operates and franchises 115 Skipper's Seafood 'n' Chowder Restaurants, reported net profit rose 24% to $238,000 for the third quarter ended Sept. 6, compared with the same period last year.

Sales for the quarter rose 15% to $7.8 million.

Eugene Stone, president, attributed the strong quarter to "the effectiveness of the company's operational controls" and "gains in franchise revenues." Skipper's franchises nine units.

Give to

United

Fund

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two weeks ended Oct. 9							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week						Last Fiscal-Year					Latest P/E Ratio							Long Term Debt	Common Stock Equity	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	6.50	5.88	6.50	1.13	20.93	10.63	5.38	-.52	.92	2.54	-1.39	.34	.02 N	5.8	14.0	5.8	18.1	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	13.75	10.00	13.38	2.13	18.89	21.88	10.00	-.23	.78	-1.78	12.75	1.67	.40 F	31.4	73.0	6.3	8.0	.20	1.5	07-27-81	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	27.75	25.38	26.75	-.25	-.93	37.25	25.38	-.18	-.07	4.54	-35.95	5.33	-.36 N	-6.8	7.0	2.3	5.5	2.00	7.5	08-26-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.38	5.38	5.38	-.13	-2.27	8.63	4.38	-.30	-.73	-2.41	31.88	.80	-.37 N	-36.6	-2.0	3.3	8.4	.12	2.2	06-02-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.13	2.88	3.13	.25	8.70	4.88	1.63	.17	.59	-3.93	4.27	.47	.14 S	31.8	41.0	2.3	5.4	.00	.0	00-00-00	37.0	1.0	.8	1.4	2	1079
Bob Evans Farms	BOBE	22.50	18.25	22.25	4.50	25.35	22.69	15.19	.45	-.65	-.65	-29.18	1.35	.29 S	26.1	33.0	9.1	15.9	.40	1.8	09-21-81	125.2	11.4	1.7	.0	5	0480
Bonanza Intl Inc	BNZA	2.13	2.00	2.13	.00	.00	6.88	2.00	-.90	1.32	2.47	36.64	.24	-.43 S	-286.6	-16.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel	BHCO	10.63	9.88	10.13	.00	.00	13.16	6.00	-.03	.27	1.54	20.68	.44	-.14 S	-28.0	25.0	4.2	28.1	.08	.8	08-11-81	104.3	4.4	1.0	8.5	3	1280
Calny Food	CLNY	12.75	11.25	12.50	1.25	11.11	15.50	8.50	-.05	.15	-1.27	-41.67	1.35	-.29 Q	-17.1	8.0	2.2	8.9	.20	1.6	07-01-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	6.50	4.38	6.50	1.75	36.84	12.88	4.38	.44	3.26	.93	-4.45	.95	.49 Q	75.3	34.0	2.4	5.7	.07	1.1	11-17-80	75.6	1.8	.7	11.1	5	0581
Chart House	CHHO	19.38	16.25	19.38	3.38	21.09	22.88	10.06	.39	2.05	2.26	7.55	1.75	.26 S	16.0	12.0	4.9	10.3	.52	2.7	07-16-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	20.00	16.25	18.63	3.50	23.14	27.25	11.94	.12	-1.83	-.15	-33.52	.46	.36 Q	180.0	35.0	12.4	33.3	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	11.75	10.25	11.25	-.13	-1.10	12.38	5.75	.68	.06	3.02	-20.76	.66	-.03 F	-4.3	8.0	2.7	17.0	.40	3.6	06-24-81	118.8	3.3	2.5	1.1	5	0780
Churchs Fr Ch	CHU	29.38	27.38	28.63	.50	1.78	37.38	23.25	-.05	-1.17	.70	-34.12	3.01	.55 N	18.7	24.0	9.9	8.2	.84	2.9	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	2.88	2.75	2.75	.00	.00	4.63	1.50	-.13	-.66	-3.31	-26.76	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	15.63	13.75	15.50	1.75	12.73	19.88	9.50	-.04	-.23	.09	.65	2.08	.31 Q	15.1	5.0	2.8	6.6	.32	2.1	06-24-81	265.2	7.5	1.4	14.2	17	0481
Dennys Inc	DEN	28.00	22.13	27.75	5.38	24.02	31.75	17.13	.54	-.36	4.32	-21.29	2.96	1.03 F	53.3	6.0	3.2	9.4	.88	3.2	09-03-81	708.8	17.0	1.1	27.6	17	0680
Dunkin Donuts	DUNK	13.13	11.25	13.13	1.50	12.90	18.25	9.34	.07	.02	-2.08	4.26	1.53	.35 N	24.6	21.0	8.2	7.4	.30	2.3	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	6.75	6.00	6.50	.13	1.96	8.50	4.75	-.23	-1.11	-3.25	-86.54	1.45	.25 F	20.8	10.0	3.0	4.5	.38	5.8	09-29-81	97.0	2.9	1.2	7.5	13	0581
Ginos	GNO	14.63	7.50	13.75	5.88	74.60	14.63	6.75	2.71	3.07	11.70	4.20	1.67	1.40 S	NE	1.0	1.4	14.9	.44	3.2	08-13-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.75	6.75	6.75	.00	.00	9.00	6.25	.15	-.62	-11.43	.00	.27	-.95 F	-77.8	-16.0	.7	25.0	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	2.75	2.75	2.75	-.25	-8.33	12.00	2.75	-1.45	-.66	-2.45	-10.00	.44	-.20 N	-34.4	-10.0	8.6	7.2	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	36.00	33.25	34.75	.75	2.21	52.25	33.25	-.28	-.72	.44	16.59	4.00	.26 S	6.7	37.0	20.3	8.5	1.60	4.6	08-31-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	26.00	21.88	24.88	2.38	10.56	33.25	21.13	-.20	1.92	1.14	6.79	2.92	.52 S	20.1	27.0	7.1	8.0	.74	3.0	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	37.00	33.00	37.00	2.75	8.03	48.75	32.25	-.58	1.72	5.47	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	9.75	8.00	9.00	.50	5.88	22.38	8.00	-.59	-2.04	-3.90	-39.33	.96	.00 S	.0	41.0	3.1	9.1	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	13.63	12.38	13.00	.50	4.00	24.25	12.00	-.09	-.92	-.27	-33.59	2.74	-1.05 S	-36.3	13.0	3.9	7.1	.60	4.6	09-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.00	6.75	7.00	-.50	-6.67	9.38	4.88	.27	-.56	-.04	33.75	.92	.13 F	16.4	64.0	3.2	7.6	.00	.0	08-24-81	39.1	1.3	.9	6.0	3	0880
Imperial Grp	IMT	1.19	1.06	1.13	-.06	-5.26	2.00	1.06	-.30	-2.91	.03	-38.81	.62	-.15 S	-21.1	28.0	2.1	2.0	.16	14.2	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	12.25	12.25	12.25	.00	.00	13.25	7.50	.15	-.64	-3.99	20.91	1.34	.30 N	22.7	51.0	6.1	7.6	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.00	1.88	2.00	.13	6.67	3.38	1.75	-1.46	-1.08	2.25	-60.66	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	3.25	3.00	3.13	.13	4.17	4.50	2.63	-.39	-1.34	-.93	-52.53	.35	.54 N	NC	-2.0	2.0	5.8	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	21.75	20.13	21.75	2.75	14.47	27.63	13.50	.09	.10	-.27	-30.57	1.70	.39 F	29.7	15.0	5.5	12.8	.12	.6	08-18-81	313.6	15.1	1.2	3.9	8	0680
Kapok Tr Inns	KTI	4.25	3.75	4.13	.25	6.45	4.38	3.25	.35	-.44	2.23	3.66	.26	-.43 N	-143.3	-21.0	3.6	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	13.00	10.75	13.00	2.25	20.93	16.25	10.75	-.34	1.89	-3.00	25.41	.58	.67 Q	NC	159.0	5.9	19.4	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	5.75	4.50	5.25	.50	10.53	9.00	4.50	-.28	-2.03	2.31	26.47	-.60	-.60 Q	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	26.25	23.50	26.25	2.00	8.25	28.19	17.00	.15	.35	-.50	-10.79	1.19	.28 N	25.2	25.0	8.9	18.9	.48	1.8	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	5.25	5.00	5.25	.25	5.00	7.28	5.00	-.20	.12	-5.38	-15.63	1.15	.08 F	7.4	9.0	5.8	4.6	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	34.63	31.63	34.13	1.63	5.00	47.00	27.88	.00	-.40	2.49	35.83	2.60	.59 N	23.9	28.0	4.2	11.2	.24	.7	09-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	66.63	57.38	65.25	7.13	12.26	70.25	43.38	.56	.33	1.27	-16.08	5.49	.99 S	19.5	19.0	10.1	10.8	1.00	1.5	07-28-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.00	8.25	8.75	.38	4.48	13.88	8.25	.13	-1.20	-.72	-14.01	.95	-.04 Q	-4.0	6.0	3.9	9.2	.32	3.7	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	3.13	2.25	3.13	.88	38.89	4.75	2.25	-.15	2.73	-1.98	4.00	.19	-.65 S	-91.5	27.0	.5	52.1	.02	.6	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	.88	.88	.88	.00	.00	2.38	.88	-.65	.00	.95	-9.09	-.34	-.29 S	NE	-78.0	-2.8	NE	.00	.0	00-00-00	24.9	-.7	.3	.7	3	0380
Oakbrook Cons	OKCO	9.50	9.25	9.50	.25	2.70	12.25	9.25	-.30	.16	-4.00	-20.00	1.28	-.16 F	-11.1	19.0	1.0	7.4	.32	3.4	09-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	8.63	7.13	8.25	.50	6.45	9.25	5.00	.47	-.95	1.78	-19.32	.50	-.79 N	-46.7	23.0	3.0	9.2	.15	1.8	08-20-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	14.75	14.13	14.25	-.38	-2.56	19.00	11.88	-.40	-1.07	-.79	25.13	1.30	.25 F	23.8	13.0	6.1	11.0	.48	3.4	09-09-81	115.4	6.4	1.2	.0	6	0680
Pizza Inn	PZA	8.00	5.75	7.75	1.63	26.53	11.50	3.88	-.24	.98	.47	1.27	.59	.08 S	15.3	-3.0	1.4	12.9	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	15.50	11.75	14.75	2.38	19.19	19.75	9.88	.31	-.48	.82	-13.85	.60	-.25 S	-17.0	1.0	.8	12.1	.40	2.7	09-15-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.38	5.25	6.25	.75	13.64	12.50	5.25	-.34	2.54	-2.45	6.43	.53	.36 S	112.5	26.0	4.1	9.2	.12	1.9	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.13	4.13	5.00	.75	17.65	8.25	3.13	.17	-1.06	-1.64	-15.04	.64	.49 S	84.4	28.0	1.6	4.7	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	19.75	16.00	18.88	2.75	17.05	23.75	7.25	.16	-.17	-.52	21.71	2.36	.85 F	56.2	2.0	1.4	8.0	.44	2.3	08-17-81	819.0	11.6	.9	9.3	15	0681
Sambos Rests	SRI	3.63	2.88	3.50	.50	16.67	7.88	2.88	-.58	3.53	.69	-8.11	-1.05	3.88 S	NE	-61.0	-2.4	NE	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
Shoneys Inc	SHON	17.50	16.00	17.50	1.63	10.24	18.88	12.88	.14	-.66	-1.16	10.16	1.11	.23 N	21.4	21.0	5.6	13.5	.20	1.1	06-26-81	210.6	11.8	1.0	1.6	6	1080
Sonesta Hotel	SNSTZ	10.25	10.00	10.25	.25	2.50	15.00	7.50	.04	-.15	-1.63	-76.47	2.24	1.56 S	127.8	101.0	3.6	3.7	.16	1.6	07-07-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	3.13	2.38	3.13	.75	31.58	3.25	1.44	.45	2.23	7.03	29.43	-.03	1.10 N	NE	-28.0	-.2	13.0	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Valles Steak	VLE	5.75	4.75	5.38	.63	13.16	7.63	4.25	.33	-.73	-.11	-14.06	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	7.63	6.25	7.25	1.00	16.00	11.25	5.88	.28	2.70	2.20	-5.62	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	7.63	6.50	7.63	.75	10.91	8.88	4.63	.00	-.71	-1.89	22.15	-.05	-.19 S	-50.0	-11.0	-.2	40.1	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	15.63	12.88	15.13	1.63	12.04	19.38	8.59	.64	.86	-.54	-14.97	1.33	.29 S	25.4	30.0	8.7	10.6	.28	1.9	08-10-81	347.0	30.1	5	2.8	8	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Chi Chi franchisee 1st qtr. profits rise

MINNEAPOLIS—Consul Corporation, a franchisee of Chi-Chi's Mexican restaurants, reported net profits rose to $187,184 during the first quarter from a net loss of $64,101 during the comparable period last year.

Sales for the quarter, which ended Aug. 31, 1981, were $3.1 million vs. $1.3 million for the same period in 1980, according to Merrill J. Anderson, chairman of the board.

Anderson attributed the strong performance to the success of Consul's newest Chi-Chi's location opened in June in the Milwaukee suburb of Brookfield, plus continuing sales at the companies five other properties, including four Chi-Chi's and a Mamalu's Barbeque restaurant in Minneapolis.

The chairman said he anticipated better results for the coming quarter due to the inclusion of a Chi-Chi's in the Minneapolis suburb of Richfield, which Consul acquired effective Sept. 1, 1981. The company expects to open its first Canadian restuarant in mid-November in Surrey, a Vancouver B.C., suburb.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Calny Food Services	6 mos.	8/15	$ 19.646	3			$ 0.610	18
	3 mos.	8/15	9.950	0			0.315	12
Carrols Development	3 mos.	8/31			$ 21.135	3	1.661	14
Chock Full o'Nuts	1 yr.	7/31	118.710	0			5.937	– 12
Church's Fried Chicken	36 wks.	9/6			292.983	12	30.124	25
	12 wks.	9/6			103.175	9	10.468	36
Hungry Tiger Inc.	1 yr.	8/28	49.858	28			1.616	20
	3 mos.	8/28	12.149	23			0.427	24
Int'l Dairy Queen	9 mos.	8/28			74.672	18	4.870	13
	3 mos.	8/28			30.103	10	2.740	4
Int'l Multifood Corp.	3 os.	8/31	278.800	10		6.027	16	
Marriott Corp.	3 mos.	9/11			503.400	15	28.200	11
Morrison Inc.	3 mos.	8/29			85.553	14	3.513	10
Piccadilly Cafeterias	1 yr.	6/30	127.200	10			7.800	22
	3 mos.	6/30	33.300	16			1.725	– 2
Skipper's Inc.	36 wks.	9/6			23.381	13	0.696	131
	12 wks.	9/6			7.822	15	0.238	24

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Collins Foods first qtr. net inc. jumps 43%

LOS ANGELES—Collins Foods International, operator of Sizzler Family Steak Houses and Kentucky Fried Chicken restaurants, reported net income for the first quarter, ended July 31, rose 43% to $2.37 million compared with the same period last year. Revenues for the quarter were $73.85 million, up 14%.

James A. Collins, chairman, said consumer demand continued to increase at the company's Kentucky Fried Chicken stores, while per-unit sales of the Sizzler company-owned restaurants continued on the uptrend established during the first half of the prior fiscal year.

At the end of the quarter, Collins operated or licensed 468 Sizzlers and operated 231 KFC stores as well as six Collins Foodservice distribution centers.

Piccadilly net profits climb 24%

BATON ROUGE, La.—Piccadilly Cafeterias scored a 24% gain on net profits, reaching $7.85 million, for the fiscal year ended June 30.

Sales were up 10% to $127.2 million, the company reported.

For the fourth quarter, a three-month period, profits were down 2%, to $1.7 million, on sales of $33.3 million, a 17% gain.

During the year, four cafeterias were opened, one of them in the fourth quarter in Baytown, Tex., and three were closed. A new unit was due to open in October in Chesapeake, Va., bringing the number of stores to 80 in 13 Sunbelt states.

Carrols year-end net inc. up

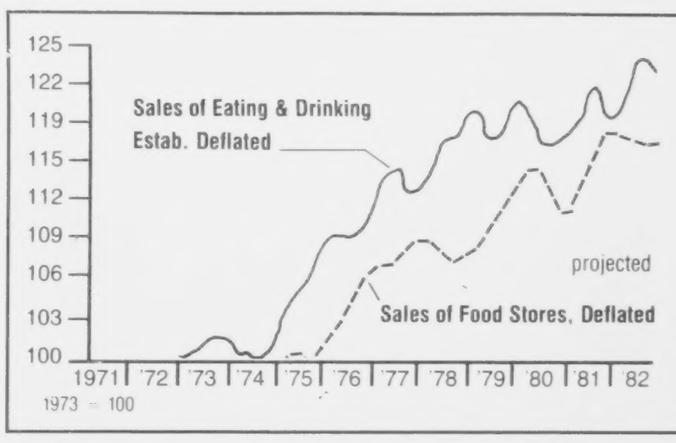
SYRACUSE—Carrols Development Corporation, operator of franchised Burger King restaurants, a food-distribution service and motion picture theaters, reported net income rose 12% to $2.4 million in fiscal 1981, ended May 31, compared with fiscal 1980.

Revenues rose 14% to $76 million.

At year-end, Carrols operated 78 Burger Kings, the same number it operated at the end of fiscal 1980. The company said, however, that earnings from the restaurants and the food distribution service "increased significantly" while theater earnings decreased.

L/F ECONOCYCLE

October eat-out gains to top 3%



Eating & Drinking Estab.

Sales Change By Quarter

	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %
Sales include Inflation	10.2	9.3	8.3	7.2	7.4	11.9	11.9	9.5
Real sales (Deflated)*	0.0	– 0.1	– 0.9	– 1.8	– 2.1	2.8	3.9	2.6

Base = June 1981 Sales
*Projected

12-Month % Change

'79 %	'80 %	'81* %
13.0	9.0	10.0
2.0	0.7	2.0

The Lebhar-Friedman spending indicator (below) continues to mirror persistent upward growth of retail sales through the balance of 1981. In fact, a sharp pickup in the spending rate now suggests a resurgence of consumer confidence that may lift current sales-projections beyond forecast levels in the last two months of the traditional "golden quarter."

General retail sales (chart below) should move ahead 4.1% this month against same-month sales in 1980. This follows a third-quarter performance of 3.4% for all retailing and hints strongly at better-than-bargained-for results in the November-December selling period.

The L/F Econocycle projection is for continued "spotty" performances by specific retail categories. Department stores are being clocked for a 6.1% rate-of-gain this month—and will be running ahead of all other retailers for the first time this year.

Food-service operators, on the other hand, should roll up gains of nearly 3% this month compared to same-month 1980 volume. The eat-out segment of retailing, in fact, seems to be on a healthy foundation, with a third-quarter increase of nearly 4%, according to just-released Econocycle computations.

Over the next three months, food-service sales are expected to move ahead in the plus 3% range.

Looking further ahead to 1982, L/F's computer model indicates a possible plateauing of industry volume—with marginal increases at best through the early months of the new year.

Spending Indicator
Total Retail Sales, Deflated
Household Spending
projected
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	11.9	10.5	11.9	15.4	11.1	8.8	8.2	11.8	10.4
	3Q*	10.3	7.9	11.9	13.9	9.7	7.2	8.2	10.6	9.3
	4Q*	9.4	7.5	9.5	5.5	6.3	7.2	7.2	7.0	7.1
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	3.0	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	10.0	11.0	9.0	8.0	8.0	9.0	9.0

Real Sales (Deflated)*
% Change By Quarter

1980	1Q	1.2	5.8	0.0	2.6	3.8	4.9	1.4	1.9	1.8
	2Q	5.0	4.9	– 0.1	17.6	2.0	3.4	0.5	2.4	2.0
	3Q	4.2	2.0	– 0.9	18.5	0.5	5.8	0.2	3.4	3.3
	4Q	2.9	0.6	1.8	10.4	3.9	1.1	1.5	2.0	1.1
1981	1Q	0.7	1.4	2.1	1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.4	0.3	2.8	6.3	1.2	3.1	4.0	5.2	4.5
	3Q*	3.4	2.6	3.9	5.1	1.4	2.3	4.7	5.2	4.5
	4Q*	4.0	5.8	2.6	2.7	– 0.5	0.5	4.7	1.6	2.1
% change 12 mos	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	3.0	3.0	– 0.7	12.0	2.0	1.0	0.1	1.0	1.0
	1981*	3.0	2.0	2.0	2.0	0.6	2.0	5.0	3.0	3.0

Base June 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

EMPLOYEE ATTITUDES

Employers must boost morale, study reveals

By Donald Frazier

Mild language; broad implications, even sweeping ones.

The conclusions of *Nation's Restaurant News*' recently completed second employee attitude study (the first was in 1978) cut to the heart of every food-service operator's principal concern—his people. What they feel about what they do, why they feel that way, and what the operator can do to make them feel better about it.

There's some bad news: that the overall level of job satisfaction felt by the people in the industry dropped from the 1978 level of 158.1 to 152.4—only 17 points above neutral on a 270-point scale.

But there's good news, too: the operator *can* do something to reverse this trend. This year's survey identified specific characteristics of operations where morale is high. These things range from the concrete (like the development of an employee handbook) to the vague (like the development of "people-conscious" unit managers).

But all have proven successful in giving employees a sense of identification with their workplace and a sense of pride in their professions. It's these, the operator knows, translate directly into higher productivity.

They can also reduce turnover, the costs of which are still not fully understood even by the most astute operators. According to Martin Rabkin of SHR International, the firm that conducted the survey this year and in 1978, the average cost of replacing an hourly minimum wage employee is about $450. The figure for skilled and semiskilled positions is much higher. This means a restaurant with a 200% turnover—not uncommon in the industry—spends nearly $1,000 a year recruiting, interviewing and hiring and training for one hourly employee's slot.

But the biggest cost of dissatisfied employees takes place before they've left the job, Rabkin and colleague Bill Rogin found in the survey.

"There is a positive correlation between a high turnover rate and a high rate of breakage, absenteeism, pilferage and so on," Rabkin asserted. He addresses this point to those operators who would rather accommodate a high turnover rate than incur the expense of reversing it.

Increasing the satisfaction of workers in the industry is more important now than ever, he said, because the expansion of the 1970's has slowed and the cost of materials continues to rise. "The resource where some of the greatest productivity growth is possible," he says, "is the human sector—labor and management."

Declining Satisfaction

The decline of job satisfaction in 1981 reflects mainly the two areas in which employees felt significantly worse this year than in 1978—pay and promotion. But the causes for this are not the obvious ones, Rabkin insisted.

Pay, for example. Workers dissatisfied with their pay were not complaining because they thought their pay was too low, but because they thought it unjust. About half of the hourly employees surveyed feel their supervisors do not tell them where they stand. Almost half—45%—of the units studied do not have formal employee appraisal programs. This, according to Rabkin and Rogin, leads to a situation where the employee does not necessarily see the connection between pay and work.

One of the study's surprising findings was the discovery of the "diminishing pay raise." Employees who had received a pay hike in the previous year reported an understandably high level of satisfaction with their pay: 183.9. But the effect wears off. Employees who had pay raises within one to three years posted a 177.4 figure; after three years the mark skidded to 172.6.

Reward of Recognitions

"What this shows," Rabkin explained, "is that you can't motivate people with pay and pay alone." He contrasted some food-service operations, where employees receive little more than the minimum wage and yet report satisfaction levels in the 190's, with other workplaces, such as auto plants, where workers are paid $15- to $25-an-hour but, by all measures, are very dissatisfied with their work.

"The significant point relative to merit compensation, of course, lies in the methodology rather than the economics," Rabkin said, adding that "it is the recognition, the reward and the reinforcement that make the investment worthwhile."

In another area, promotions, similar dissatisfactions were found, similar feelings of confusion and helplessness. According to many employees surveyed, promotions had more to do with luck or personal factors than with merit. Although this may or may not be true, the researchers pointed out, the employees' feeling that it stems from the operator's failure to make sure that people understand why he does what he does.

This problem—faulty or nonexistent communication with the staff—is measured more directly by another index. Almost two-thirds of unit employees feel their co-workers are rumor-oriented. This rumor-orientation, Rogin said, is related to the amount of information the staff receives about the company's actions. Only half of the units surveyed held regular staff meetings or had a manager who communicates his goals to his staff, the unit employees reported.

Uncommunicative management contributes to low morale, the study found. Several hourly employees told Rabkin and Rogin that their schedules can be changed, for better or worse, with no explanation by management. This causes hostility at worst or alienation at best, the pair found. "The tendency to withhold information," Rabkin said, "is another symptom of an individual who feels powerless or doesn't have much to control."

It is also, the researchers said, a sign that employees are deprived of consistent decision-making.

The study discerned two measures that can tell employees, by their existence, that management listens to them and is not arbitrary and callous in its actions. These devices are the suggestion box and the handbook.

Their value can extend beyond the impression they create in the workforce, Rabkin added. He said he has seen companies change themselves for the better by the mere act of compiling an employee handbook. "There's no way you can even write the thing without the management systems to back it up. To create a handbook, a company has to take a long, hard look at what it does and why."

Another benefit of an employee handbook, Rabkin said, is its potential for boosting the "team spirit" of the workforce. This is especially important in food service, he added, because many of the jobs in restaurants are easy to learn and provide little satisfaction in themselves. More than three in four restaurant employees feel their work is routine; only half consider it to be challenging; the same number feel that it is less interesting than it used to be. Compared with that in other industries, the satisfaction with work in restaurants is not very high.

This situation, according to Rabkin, would seem to point to an even greater need in the food-service industry to create motivation for employees outside of the work.

Unit managers, the study found, tend to feel powerless to improve the performance of their subordinates. This owes somewhat to the relationship of the unit manager and the field manager which, often, places the field managers in *de facto* control of the units, depriving the unit manager of power to make important decisions.

No Responsibility

But it also owes to management's refusal to delegate to unit managers the power to motivate the unit. In many operations, the survey found, the unit manager is not even responsible for hiring, firing or evaluating his own employees.

The low status of unit managers in the company's hierarchy leads to the development of less-than-effective unit management techniques, the survey found. "The powerlessness felt by managers manifests itself in a controlling, static, rule-minded management style," it said. An employee in such an atmosphere, Rogin said, will do everything possible to avoid punishment, and thus, will withhold cooperation rather than bring himself to his manager's attention.

Changing Workforce

The changes in the profile of the food-service workforce will make the unit manager's job a sensitive one in the coming decade, Rogin said. The workforce is becoming increasingly well educated and varied in age and racial background. The study, however, found that unit managers tend to be skilled in technical areas rather than interpersonal ones. In more than one-half of the units surveyed, unit managers received no training in human resources.

The study's findings also suggest that operators need to re-evaluate the practice of making unit management the company's entry-level job for trainees. Older, more educated workers may not heed or respect the young manager typical in most operations, it inferred.

Unit managers also are dissatisfied

(Continued on page 16)

6,000 respond to survey

The second employee attitude study commissioned by *Nation's Restaurant News* was performed by Bill Rogin and Marty Rabkin of SHR International, Mill Valley, Calif., who presented their findings at the MUFSO conference in New Orleans.

The study was based on a 106-item questionnaire answered by more than 6,000 food-service employees and managers in restaurants of all sizes and types throughout the United States and Canada, as well as in the home offices of restaurant chains.

The questionnaire, mainly unchanged since it was last used in 1978, asked employees to rate their job satisfaction in five areas: work, promotions, co-workers, pay and supervision. The date yielded rankings on a scale of 0 to 54; totaled, these five rankings produced a job satisfaction index. The highest possible figure on this index was 270. A neutral reaction was 135.

The reliability of the survey's methods is well established. The response rate of 40%—somewhat lower among field managers—is extremely high for surveys of this nature.

William Rogin (above) and Martin Rabkin (below) were commissioned by *Nation's Restaurant News* to conduct the employee attitude study.

EMPLOYEE ATTITUDES

Field managers seen torn between conflicting roles

According to the employee attitude study, field managers are caught between two conflicting roles: the old-fashioned, hands-on unit operator and the modern-day analyst of restaurants, people and ideas.

On one hand, field managers are expected to supervise eight or more restaurants, each with dozens of employees, thousands of customers and its own particular set of problems. They report to management on conditions in the field and implement the decisions of the home office.

On the other hand, the survey found, they frequently take an active part in running each restaurant themselves. They must instruct unit managers and assistant managers and, much of the time, are called upon to solve every problem—even the tiny ones.

Small wonder then that field managers are both pleased and frustrated by their work. They like the challenges and demands upon their creativity, but they are hampered by organizational systems which have them wearing two hats at once.

The cause of this frustration? Indecision at the home office, according to Bill Rogin. As part of the research team that conducted the second employee-attitude survey for *Nation's Restaurant News*, he found that many restaurant chains apparently don't know whether they want their man in the field to run the units or merely supervise and inspire those who do.

As a result, he said, just under half of unit employees feel that there the unit manager is "not his own boss." Rogin said this reflects the low pay, prestige and training of unit managers as much as the tendency of field managers to take charge.

Yet he conceded that field managers tend to be "take-charge" individuals, sometimes to the detriment of the company. "The field manager usually has a strong enterpreneurial orientation," Rogin explained. "When he sees something wrong with a unit, he wants to wade in and fix it himself. Hands on. That's where he gets his satisfaction."

Compounding this role confusion, Rogin found, is the career "track" in most restaurant chains, which compels a successful unit manager to become a field manager—whether he is suited for the job or not—for both the professional status and the material rewards. Thus, Rogin said, many field managers have a strong orientation in restaurant operations, and can sometimes be indifferent to their administrative and advisory roles.

Some chains, among the 20 surveyed, have found the solution to this problem lies in encouraging the successful unit manager—with pay and prestige— to remain in the store instead of seeking a promotion to field rank. Field managers, then, are free to become specialists in administration and marketing rather than absentee operators.

This step also improves the satisfaction rating of field managers by allowing them to concentrate on being field managers. Those in chains with strong unit managers tended to score satisfaction ratings higher than the average for all field managers.

Pluses and minuses

Rogin also said that some chains have established regional marketing task forces comprising field managers, unit managers and specialists from the home office. Such groups, he said, can take some of the burden off the shoulders of the field manager by emphasizing the differences between his role in the organization and that of unit managers.

"All of these strategies have one thing in common," Rogin said. "They make it possible—even necessary—for a field manager to think of himself first and foremost as a field manager."

A sign that the chains have not clearly defined the role of the field manager is the high number of such managers who are unsure of what is expected of them. About half said they received no training in their job; two-thirds said their companies did not have a formal performance review procedure.

This is significant in light of the high correlation found in the study between overall job satisfaction and formal programs of training and evaluation.

One field manager in nine also said that his supervisor, usually the regional manager, does not ask his advice—a high figure considering the field manager's job is to provide advice. Two-thirds of the field managers described their companies as being "rumor-oriented." These figures, Rogin said, indicate that many of the companies still rely on the informal channels of communications that are perhaps left over from days when the chains were small enough that no formal information systems were needed.

Where formal channels of communications do exist, the managers said, they tend to flow in only one direction—from top down. They blamed this largely on restaurant chains' reliance on standardized procedures and controls. Strict standards, they indicated, force much of the responsibility for running individual units into their hands by sapping unit management of the initiative to act independently.

Often, field managers said, even a capable unit manager will call the field manager into his unit to solve a problem because he does not feel he is empowered to do so himself.

About half the field managers feel that promotions are regular and 87% of them say the post is not a "dead end." But Rogin suggested that this may be owed to the short tenure of most field managers—they were just promoted themselves.

Most field managers are less satisfied with their pay than unit managers are, and do not like their benefits packages. They perceive a gap between praise for their good work—reported by three-quarters of respondents—and pay increases for good work—reported by only half.

In general, they feel that pay does not depend on performance, although they did not suggest what it *does* depend on.

However, they reserved their greatest ire for other factors. Almost all of them say they "don't have enough time," or their "workload is too large," or that they have "poorly trained unit managers," suggesting that they spend much of their time in units. Another frequent complaint —heat—would appear to confirm this, because a field manager's work is not supposed to be in the kitchen.

The optimum number of units a field manager can oversee efficiently did not emerge from the survey, for two reasons. One is the plethora of factors distinguishing one managers area from another's—the size of the restaurants, the nature of their service, their volume, the geographic dispersion of the area, and so on.

But the major reason lies in the difference in management styles between the chains surveyed. In chains where the field managers are used as super-unit managers and their unit managers are given little autonomy to solve their own problems, the field manager is hard-pressed to supervise as many as four units.

But in chains where the field managers are used solely to supervise and evaluate the units, coordinate marketing efforts on the local level and serve as laison between the unit and the home office, the field manager can handle as many as eight or 10 stores without undue strain.

Rogin predicted the efficient chain of the future will adopt the latter model of field management. One reason is the changing demographic profile in the United States. As the population ages, chains will have increasing difficulty staffing their units with ambitious young managers who will willingly take orders from the field manager. The new generation of unit managers, he says, will be older and will insist on running their own restaurants as much as possible.

The other reason is the gradual, inexorable maturing of the chain restaurant industry. In the coming era of slow growth, Rogin said, efficient field managers will be far more important to the industry than they have been in the past because a company's success will depend on the profitability of each of its units, not on the number of its new units.

The analyst suggested that field managers of the future may not be promoted to unit managers, but rather specialists skilled in marketing or administration instead of running restaurants. "The skills are different," he said.

"For the field manager," he said, "the most crucial determinent of success and satisfaction is organization. But, so far, the role is unchanged. They are trying to do things they shouldn't do because unit managers are programmed not to think. The axiom of promoting unit

"The mature organization is going to have to establish a differnt profile for the role of the field manager."

managers to field managers needs to be questioned.

SATISFACTION LEVELS COMPARED

(Field Managers vs. Unit Managers)

Q: On a scale of 1-54, how satisfied are you with your:

	Pay?	Work?	Coworkers?	Advancement Opportunities?	Supervision?
Unit Managers	31.6	36.6	39.0	42.3	41.9
Field Managers	29.0	39.1	41.2	37.3	42.8

Source: *SHR International*

Employer goal: lifting worker morale

(Continued from page 15)

with pay and promotion. The negative feelings, the study said, were somewhat mitigated by the positive attitudes of the women now managing units. But unit managers, the study detected, are beginning to realize that they may be disappointed if their goal in joining the industry was to advance through a growing company's units to area supervision.

The study also found negative consequences of frequent reassignment of unit managers from store to store. It discovered that this practice keeps managers from developing commitment to their units, creates difficulty for personnel who must continually readjust to a new style of management, and benefits only the ambitious, irresponsible manager who will use a unit for short-term success by doing the things which will cause it harm in the long term.

Counterproductive

It also makes the unit into the manager's home by keeping him from developing roots in the local community. The study found that the lonely young manager often spends from 60 to 80 hours a week in the unit, much of it unproductive or counterproductive time.

The satisfaction of unit managers decreases with the amount of time they hold that job; more than half of the managers surveyed said they do not plan to make a career with their current employer.

Rabkin, charging that the industry has "hired managers because of their achievement motivation and developed them to the extent possible, and then put them into positions where they have nowhere to go," advised the industry to revise its reward system for managers so that good ones will be more content to remain where they are.

Employee satisfaction, the study found, was significantly higher in units where managers are trained and encouraged to use their discretion instead of relying on the home office.

"Too often food-service organizations have made the effort to buy too much order and control at the expense of the flexibility and creativity needed to respond to a changing environment," Rabkin said.

Most articles in this section were written by field editor Donald Frazier.

SATISFACTION RATES OF FOOD-SERVICE PERSONNEL BY JOB

(Highest possible total, 270; neutral reaction, 135)

Job	1981	1978
Bartender	182.9	178.8
Busperson	144.1	163.9
Cashier	146.9	153.2
Chef/Kitchen Manager	163.4	175.6
Cocktail Server	139.8	155.6
Cook	148.0	156.4
Counterperson	144.8	157.5
Dishwasher	146.9	147.0
Food Preparer	149.7	153.5
General Manager	191.7	190.2
Host/Hostess	162.0	165.2
Management Trainee	182.5	193.6
Waiter/Waitress	152.5	152.5

Source: *SHR International*

SATISFACTION RATES OF FOOD-SERVICE PERSONNEL BY SEX

(Each Area Rated on a Scale of 0-54)

Area	Men	Women
Work	27.6	27.8
Promotions	27.8	23.9
Co-workers	36.2	37.7
Pay	22.5	23.4
Supervision	39.5	38.2
Totals	153.7	151.2

Source: *SHR International*

SATISFACTION LEVELS OF FOOD-SERVICE WORKERS, BY AREA

(Each Area Rated on a Scale of 0 to 54)

Area	1981	1978
Work	27.8	26.9
Promotions	25.7	27.2
Co-workers	37.1	39.0
Pay	23.0	25.7
Supervision	38.8	39.4
Totals	152.4	158.1

Source: *SHR International*

READ CLASSIFIEDS

EMPLOYEE ATTITUDES

Chains must concentrate on training process

As important as training of fast-food employees is, such training is "damned tough to do well," according to William Rogin, vice president of SHR International Inc. and workshop moderator on organization attitudinal analysis at MUFSO.

"So much training tells people what must be done, but not how to do it," Rogin said, adding that operations people must be involved in training for programs to be successful.

"If I had to make one basic recommendation relative to training," Rogin said, "I'd involve operations in the training process."

Rogin, co-founder of SHR Inc., a management consultant firm, and a specialist in human behavior, training and conflict resolution, split those attending his workshop into 15 small discussion groups concentrating on topics such as time management, decision-making, demographics, training.

Spokesmen for each discussion group reported back later to the workshop as a whole, with questions and answers following.

Training, according to an SHR report on a survey of fast-food workers, deserves more attention from the fast-food industry because "employees working in units which provide training for hourly personnel have significantly higher satisfaction than those who don't."

The results associated with management training are less conclusive relative to the attitudes of employees," the report said, noting that 29% of the units surveyed have no management training in operations; more than half provide no training in management of human resources; 78% of unit employees feel their supervisors are adequately trained; 62% feel their co-workers are adequately trained.

The discussion group reported that corporations must have a commitment to training and a follow-through on that commitment. The group was about evenly split on the importance of cross-training, and most thought that awards, benefits and other incentives were important.

William Rogin recommends involving operations in the training process for fast-food employees.

On the issue of employee incentives, Rogin said, "If you decide to do it you've got to do it well. Otherwise, it's better not to start on it."

A spokesman for the discussion group on the decision-making process said that communications between headquarters and the unit level must be improved and unit-level managers must be involved in some way in decision-making.

Those discussing time management reported that corporations are often unaware of the number of hours put in each week by unit managers but one company represented in the group had cut hours for managers from 70-80 a week to 40-50 a week by structuring the unit manager's day very exactly.

The Marriott Corp., according to Steve Reinemund, a vice president for the diversified hotel chain, has been "trying to streamline the manager's job. It was staggering for upper management to see what was required of the unit manager."

One pizza chain operator said his chain cut the unit managers' hours from 75 per week to between 50 and 55 by assigning more tasks to assistant managers.

According to the results of a survey conducted by SHR International, respondents who are no longer working in the restaurant industry indicated that long hours were the prime reason for leaving.

"It is not clear whether there is a great deal of inefficiency, people are promoted too fast to be adequately prepared or there is a burden of administrative matters," the SHR survey report said.

"On the other side of the coin," the report continued, "we know that time also has a serious impact upon people's level of satisfaction. In most cases, it takes six months to a year in the current job for satisfaction levels of management to drop below the norm for unit management personnel. And, they continue to decline in relation to tenure."

Expert advises how to coach employees

People who operate and work in full-service restaurants are different from those in the fast-food business, said Donald I. Smith, director, School of Hotel, Restaurant and Institutional Management College of Business, Michigan State University.

Smith said in a MUFSO address that the fast-food "mentality" is back-of-the-house oriented, just the opposite of the full-service operator's front-of-the-house concern.

"With a table service restaurant," he said, "a manager should be out there walking the floor, talking with the customers and should have something going on behind his eyes," when he surveys the unit.

Smith said that operators should look for certain qualities when they hire waiters, waitresses, bartenders and support staff. He cited a service oriented personality, a need for acceptance, high energy and the ability to enjoy ambiguity and perform under stress as "natural qualifications" for food-service employees.

"People who are responsive and smile often are the kind of people needed for this service-oriented business," he said.

Smith divided potential employees into four categories: the unconscious incompetent, the conscious incompetent, the unconscious competent and the conscious competent.

His advice to employers is to stay as far away from the unconscious incompetent as possible. That is a person with no natural qualifications, no skills and no hope of ever learning them.

The conscious incompetent has the natural qualifications he mentioned but lacks the desire to learn the skills needed for the job. Smith says this person lacks self-motivation.

The unconscious competent is a person who has the qualifications, and the confidence and can do a great job without ever having really learned the skills. For example when Smith was a football coach he recruited a student "who could throw a 50 yard pass, but couldn't tie his shoelaces." As coach, Smith felt he had to make the player play ball the way all the other players did or not at all.

"I coached the kid down to an average 35 yard pass," he lamented.

"If somebody is doing a great job, but they are not doing it your way leave them alone." He stressed the fact that individuals must have some freedom to express themselves.

Lastly, he said, is the conscious competent: the ideal food-service worker. This person has the natural qualifications, the confidence and can learn the skills an operator can teach. All this employee needs is coaching "and that's where you come in," he told the participants.

Smith's "coaching style management model for winning" centers around the following 10 points:

- Players must understand the worthwhileness of the game and the objectives of the team.
- Players must understand what position they play and have a playback with clearly defined and measurable objectives.
- Players must strive for perfect execution and a proper coach will describe, demonstrate, practice and correct without punishing poor performance.
- Players must have a "success experience." Tell them when they've done it right.
- Coach basics—practice "stance and starts" every day. Players do that for which they are inspected not expected.
- Let the team see the scoreboard and hear the roar of the crowd (on a weekly basis).
- Reward players for individual performance. (Players are people, too. Not all are going to make it, don't forget to cut.)
- Assist the quarterbacks to call his/her own games. (Decisions are a team process.)
- Remember the weak side end.
- Don't overcoach the unconscious incompetent.

He predicts that in the 1980's operators will be dealing with the most price sensitive market ever. Chains, he said, will have to take the plasticity, the "cookie cutter" plan, out of operations.

Donald I. Smith

Donald Smith's coaching style management model for winning centers on what he describes as the conscious competent individual.

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AVERAGE WEEKLY EXPENDITURES BY TEENS IN 1980

	Total Expenditures	Food and Snacks	Per Cent of Total	Movies and Entertainment	Per Cent of Total
13 to 15 years					
Males	$ 16.00	$ 4.80	30.0%	$ 3.75	23.4%
Females	17.15	3.15	18.4	2.70	15.7
16 to 19 years					
Males	33.70	4.20	12.5	8.45	25.1
Females	35.10	2.65	7.5	4.05	11.5
Total	$101.95	$14.80	14.5%	$18.95	18.6%

Source: *Rand Youth Poll, April 1981.*

Teen market—good catch

WASHINGTON—Even as the country's teenage population continues to decrease, its growing affluence should make it a formidable market force in the restaurant industry through the 1980's.

By the end of the decade, 13- to 19-year-olds could be spending almost $13 billion (in current dollars) on food and snacks, more than double the $5.6 billion teens spent on these items in 1980.

These are some of the projections the National Restaurant Association is making about the role teenagers will play in the restaurant market. The association's views, based in part on results of a recent nationwide survey of teenagers by the Rand Youth Poll, are contained in the current issue of NRA's publication *Foodservice Trends*.

According to the NRA, teenagers "will continue to provide the food-service industry with an excellent growth market," primarily because:

—Teen affluence has been increasing. Personal spending by 13- to 19-year-olds increased more than 50% from $26.1 billion in 1976 to $39.1 billion in 1980. And almost 15% of the $39 billion was spent on food and snacks.

—Despite a 6.6% decline in the teen population between 1976 and 1980, and though this trend is projected to continue through 1990, the sheer number of teenagers is still tremendous and will remain so with no fewer than 22.5 million in their teen years at decade's end.

Strong Market

Thus, their numbers make teenagers a strong market force. Moreover, by 1992, the number of teenagers will begin increasing as a result of higher birth rates in the late 70's, the NRA said.

There are other reasons as well why the restaurant industry should pay attention to the teen market, according to the NRA.

Teenagers, the Rand survey shows, earn an average of $68.20 a week, almost 55% of their total weekly income, with the rest coming from allowances. The large percentage of income derived from earnings indicates that many probably have part-time jobs, the NRA says. Thus, teenagers "may find it easier and more convenient to eat out while at work, and because they earn such a large share of their income, they may be more inclined to spend it on more discretionary items" such as food and snacks.

Advertising Strategy

In addition, the Rand survey found, teenagers today have great influence on household expenditures. Their opinion counts when the family decides where to eat out. Says the NRA: "Advertising dollars targeted toward the teenage market could be a significant factor in attracting the entire family to a restaurant."

Teenagers are more important to some segments of the industry than to others:

Those in the 13-to-17 age group accounted for 6.7% of total sales at fast-food restaurants in the period between September 1979 and August 1980, and 6.6% of sales at take-out restaurants, the NRA said. On the other hand, they accounted for a relatively smaller proportion of sales at cafeterias and coffee shops, 3.9% and 3.3%, respectively.

Teen spending habits also vary by age and sex, the Rand survey revealed.

For example, total weekly expenditures by females age 13 to 15 were higher than those of their male counterparts in 1980, $17.15 vs. $16.00. Female teenagers, the survey found, are "greater impulse buyers" than males, and shopping is a primary activity while males frequently avoid it.

Also, females spend more on personal appearance items than do males, and females' spending on these items is a significant factor contributing to their larger total spending.

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HOTEL/MOTEL OUTLOOK

Tough economy forcing new strategies—Pages 6

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PRIVATE CHAINS THAT WENT PUBLIC IN 1981

Company	Month of Offer	Amount Raised (Millions)
Fast Food Operators	April	$2.0
Pizza Time Theatre	April	$16.0
Skipper's	May	$4.5
Kelly-Johnson Enterprises	July	$6.6
Esteban's Mexican Foods	August	$1.8
Big Bite Inc.	September	$852.5 (Thousand)
Karcher's	October	$19.6
Pizza Ventures	October	$2.4
Garcia's	October	$8.5

Source: *NRN* Research

Public offerings accelerate as money pressure grows

By Roman Czajkowsky

Prodded by a combination of ambitious expansion plans, the need to raise capital and perhaps, dreams of becoming major powers in the food-service industry, an increasing number of entrepreneurs are taking their restaurant companies public.

In the first three weeks of last month, three restaurant companies—Karcher's, Pizza Ventures and Garcia's of Scottsdale—went public, raising a total of $30 million. That brought to nine the number of chains to go public this year, while several others are know to have filed with the Securities and Exchange Commission (S.E.C.) to make public offerings.

Among those that went public earlier in the year are Skipper's, a Washington state-based seafood fast-food chain of more than 100 restaurants, and Pizza Time Theatre, a 40-unit California, based company whose restaurants offer pizza, video games and other entertainment.

The current trend toward going public is in sharp contrast to the virtually dormant state of the initial public offerings (IPO) market for several years.

In 1980, four companies operating restaurants went public. In 1979, only one did.

Why the sudden rush?

Industry analysts and the companies involved cite several reasons. Prime among them is the current high cost of borrowing money for expansion.

With interest rates hovering in the 18%-20% range for many months now, going public "was

(Continued on page 149)

McD seeking fresh ideas with new ad agency

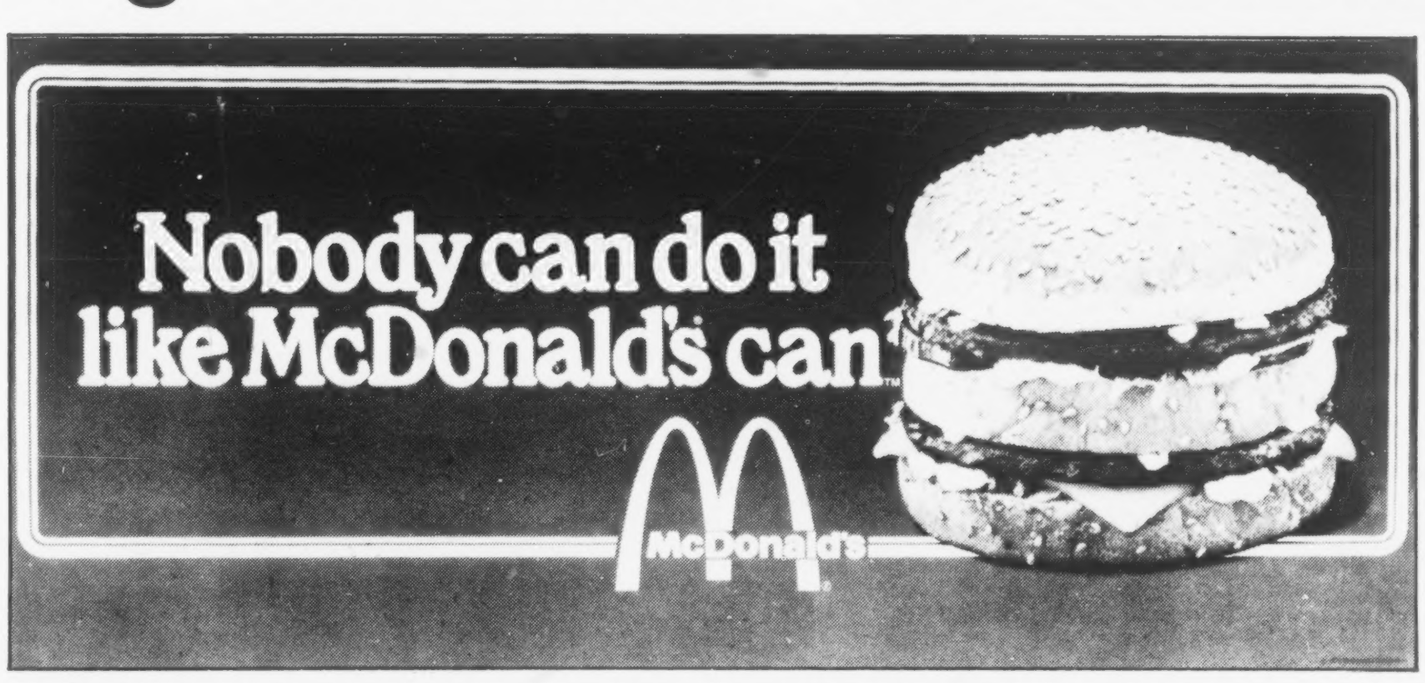
Execs push for stronger marketing

By Joe Edwards

CHICAGO—McDonald's sudden decision to award its lucrative $75 million national advertising account to Leo Burnett Co. ended an 11-year relationship with Needham, Harper & Steers and touched off widespread speculation about the reasons behind the move.

The fact McDonald's had been with Needham for so long was more unusual in some respects than its decision to change agencies. But the switch caught the advertising world off guard. Needham is a highly regarded agency credited with contributing to McDonald's successes.

It is unlikely any one event soured McDonald's relationship with Needham. Rather, a combination of persistence by Burnett executives, McDonald's growing uneasiness about Needham's ability to help fend off increased competition and a feeling on the part of McDonald's executives that it was time to try a fresh approach led to the final break.



McDonald's ad theme developed by Needham, Harper & Steers in 1979 is still in use.

McDonald's, according to one theory postulated by industry observers, may have lost faith in Needham's marketing capabilities and was not satisfied with how the agency serviced the account.

Although McDonald's executives obviously had a hand in the decision to resurrect the "You deserve a break today" campaign this past August, that move may have been later perceived by the chain as a retreat when innovation was needed.

The "break" campaign was originally used between 1971 and 1975 and was McDonald's most effective ad campaign ever, according to the company's consumer research and the testimony of McDonald's franchisees.

Needham replaced the "break" theme in 1975 with "You, you're the one," designed to counter Burger King's catchy "Have it your way" theme. That gave way in 1979 to "Nobody can do it like McDonald's can" which is now being used in tandem with the resurrected "break" ads.

Nothing in recent reports on McDonald's financial condition hints at any trouble as far as sales, earnings or market share are concerned, but Wall Street analysts are divided on the company's current strengths.

(Continued on page 150)

Analysts call chain 'healthy'

NEW YORK—Leading Wall Street analysts do not view the decision by McDonald's to change advertising agencies as an indication of any serious problems at the fast-food company.

While Wall Street skeptics take periodic potshots at the chain, the company fares generally well under the scrutiny of some analysts who track the fast-food business.

McDonald's recent financial performance has been impressive. Two days after the company made news by giving its national advertising account to Leo Burnett Co., it reported a 19% net profit increase to $75.8 million on a 13% rise in revenues to $668 million for the third quarter ended Sept. 30. Systemwide sales for the quarter were up 13% to $1.98 billion.

For the first nine months of the year, McDonald's achieved a 21% increase in net profits to $203.6 million on a 14% revenues increase to $1.88 billion. Systemwide sales for the first nine months jumped 16% to $5.3 billion.

Perhaps more important, though, are the sales gains posted by the chain after adjustments were made for menu price hikes. During the summer, according to two analysts, McDonald's sales were up about 4%.

The ad agency change, according to Roger Lipton, managing director of Lipton Research, and Carl DeBiase, an analyst for Sanford Bernstein, was not related to any problems at McDonald's. Lipton said he thought the chain simply wanted to "freshen up its approach." DeBiase said it may have just wanted to try some new ideas.

(Continued on page 150)

Imported meat crackdown opposed by NRA's Conti

NRN Special Report

Cattle industry-supported legislation to subject foreign meat imports to stringent new United States inspection and labeling requirements could boost the price of hamburgers and hotdogs by a whopping 25%, according to the latest National Restaurant Association analysis.

In a last ditch effort to block passage of pending Farm Bill amendments requiring foreign meat labeling and inspection, NRA board chairman Walter Conti appealed to consumers to rally against the plan which he said could add hundreds of millions of dollars to the nation's food bill.

Charging that the cattle industry plan "would virtually cut off all meat imports" to the United States, he said that the result would be an increase of 9% in overall consumer beef prices.

Aside from these concerns over meat supplies and prices, NRA officials are worried that the proposed restrictions would cause foreign nations to retaliate with trade barriers of their own against United States products.

LATE NEWSBREAKS

United Brands, hard pressed for cash, is negotiating to sell its Santa Monica, Calif.-based A&W burger chain to Taubman Co., a shopping center development firm controlled by Alfred Taubman, who is on the UB board.

Shoney's Inc. was slated to complete its acquisition of Cincinnati-based Famous Recipe Fried Chicken this week. James Hardy, 41, Shoney's Captain D's former franchising and operations vice president, will be group vice president of the 217-unit chicken chain.

Denny's Inc. achieved a 41% net profit rise to $10.7 million on a 16% revenues gain to $241 million for its first quarter ended Sept. 25, compared with the same period last year. Customer counts jumped about 4.5% at Denny's restaurants and 2% at Winchell's doughnut houses over the comparative 1980 quarter.

Unigate, a British company, is reportedly acquiring Casa Bonita, Dallas-based operator of 60 Mexican fast food and family restaurants for $17 million in cash.

Chart House eyes Luther's for major franchising push

By Donald Frazier

LAFAYETTE, La.—With a new president, a new division within Chart House Inc. and average store sales of more than $1.2 million yearly in its nine units, Luther's Bar-B-Que is poised for rapid expansion.

Although Chart House has not yet made any formal disclosure of its plans for the recently acquired concept, the financial community expects the company to unveil a major franchising effort after its board meeting this month.

An expanded Luther's division, linked with the company's 280 franchised Burger King units, its new Mexican concept and its established dinner-houses, would give the company a crucial fourth leg in the industry, turning a franchisee into a franchisor as well.

Reflecting its activity on diverse tiers of the industry, the company is pegged for annual earnings increases of about 20% during the next few years. Over the last few years its annual sales have increased by about 14% to the fiscal 1980 total, $312.5 million.

Franchising, though, is an essential component of this long-term strategy of strength in diversity. An attractive vehicle for franchising can offer fast growth and minimal risk—*if* its research and development stage is over, as it may be for Luther's.

The promise of the Luther's concept lies in the vogue of Southwestern themes throughout the industry. New barbecue restaurants are springing up all over the country, but few before Luther's demonstrated potential for standardization and thus for expansion through franchising.

The appointment of Roger Kisiel to head the division also points toward the imminent expansion of Luther's. Former senior vice president of operations with Hardee's, he divested himself of a major Bojangles franchise so he could come to Chart House, according to Robert Luckey, Chart House president.

The cafeteria-style Luther's units serve barbecue platters, priced at about $5.50, as well as barbecue sandwiches and hamburgers. The units are decorated in a rustic, unfinished-wood motif and are brightly lit, lending themselves to lower-income, family clientele.

The nine units now open are located in the South and Southwest, the prime areas for expansion of the concept. So far, the operational complexities of preparing and serving barbecue items have kept the demand for it unfulfilled in the lower income markets by the large chains.

The prospects of Luther's is only one question mark in the company's future. Chart House is also counting on its new Cisco's Mexican concept to reverse the decline of its Cork 'N Cleaver steakhouses.

Cisco's began as a low-investment high-traffic concept to replace Cork 'N Cleaver units, many of which were faltering. But now, according to Chart House vice president for development Roy Guerra, the company is designing Cisco's units to be built from scratch, indicating its expansion too is imminent.

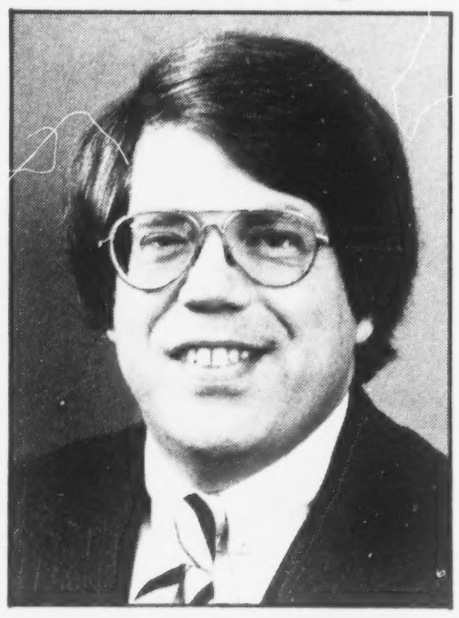
Annual sales at the com-

(Continued on page 149)

Welter replaces Diamond at Wendy's

DUBLIN, Ohio—Wendy's has named William Welter as senior vice president for marketing, replacing Darrough Diamond who held that post for 13 months.

Wendy's said Diamond "resigned." Diamond, formerly McDonald's national advertising manager and then president of Arby's franchise association, could not be reached for comment.



His Background

Welter, 36, joined Wendy's in January as marketing vice president. Prior to joining the fast-food chain, he served as vice president and account supervisor for Needham, Harper & Steers, where he handled McDonald's national account.

In his 15-year career in advertising with two major ad agencies, Welter also worked on such accounts such as Kentucky Fried Chicken, Procter & Gamble, Kellogg and General Mills.

Welter will report to Ronald Fay, Wendy's executive vice president and chief operating officer.

According to Robert Barney, Wendy's president and chief executive officer, the company does not anticipate any changes in its relationship with its national advertising agency, Dancer Fitzgerald Sample, or its existing advertising campaign.

Tony Roma's-Grace involvement grows

MIAMI—W. R. Grace's Far West Services restaurant division has widened its involvement with Tony Roma's, the Florida-based barbecue chain.

Far West last month converted two more of its restaurants—a Baxter's in Smyrna, Ga., and a Plankhouse in Dallas—to Tony Roma's, bringing to three the total of Tony Roma's now linked to Grace.

Grace first teamed up with the barbecue chain earlier this year with the conversion of a Plankhouse restaurant in Atlanta. Under the agreement between the two companies, all three restaurants continue to be owned by Far West, but are operated by Tony Roma's, with Far West providing all administrative functions.

Whether Far West will convert other restaurants to Tony Roma's remains to be seen, however. According to Anwar Soliman, who heads Grace's restaurant group, the three conversions are "test units" whose performance will determine any future course of action.

"We're just moving very slowly on it," Soliman said.

Far West recently began recasting the concept of its dinner-house chains, Reuben's and Plankhouses, whose profitability has reportedly been declining. Converting at least some of them to Tony Roma's might be one answer: According to Soliman, the first converted Far West unit has seen volume climb by about 50%.

The conversions bring to 25 the total of Tony Roma's operated, licensed or franchised by the Roma Corporation, a company owned by Dallas industrialist Clinton W. Murchison Jr. and Miami attorney Jack Peeples.

Three of the units are located in Tokyo. Over the past 18 months, Tony Roma's were also opened in Las Vegas and Honolulu, among other locations. A New York location is scheduled to open soon.

The restaurants' annual sales are believed to average in excess of $2 million a year. Signature items are ribs, barbecued chicken and onion rings, although such items as steak, burgers and seafood are offered as well.

Nathan's still seeking cure for financial ills

NEW YORK—Despite attempts to market, promote and sell its problems away, Nathan's Famous is still fighting to survive.

In the last year the company shut down 23 restaurants. This fiscal year, ended March 29, Nathan's reported a net loss of $1.6 million, more than double last year's loss. Last fall seven metropolitan New York units were sold to the Marriott Corporation and while rumors of an acquisition circulated at the company's annual meeting last summer, no buyer came forward.

Revenues declined to $22 million this fiscal year, which ended in March, from about $35 million in 1977. At the annual meeting, Murray Handwerker, president of the hotdog and delicatessen chain, said that in the past year Nathan's has been forced to "bite the bullet."

He told a group of stockholders that Nathan's difficulties resulted from bad luck in franchising and poorly conceived empire-building plans. In 1971 the company began to franchise with a "Nathan's Junior" concept: a smaller facility than the prototype Nathan's, with a limited menu. Dozens of the "Juniors" were opened. In 1975 Handwerker bought 29 small units from the defunct Westons chain. Most became franchise locations.

Until then, "Nathan's forte was variety," said Handwerker. Though its signature item is the hotdog, Nathan's had built a customer base by serving a variety of foods. Promotional advertising emphasized that families eating at Nathan's could "eat and let eat."

As it turned out, the chain could not make a more limited concept fly.

"We saw the handwriting on the wall a little too late, I guess," Handwerker said.

Franchising also turned out to be a major headache for the president and Nathan's still has litigation pending against the owners of two stores in Manhattan.

"Absentee landlords, you know, they were just lousy," Handwerker said.

In at least one neighborhood Nathan's developed a reputation for attracting "a bad element," as a member of one community board put it. In Greenwich Village a lengthy struggle with a local community board ended in the chain's withdrawal from the market.

(Continued on page 150)

Dunkin' Donuts unveils new ads

RANDOLPH, Mass.—Targeting the supermarket bakery as its major competitor for the 1980's, Dunkin' Donuts has unveiled a new advertising strategy stressing the freshness and quality of its product.

The new ads—the first phase of a $15 million campaign—recently appeared on network television and in major cities served by the segment-leading company.

The more than 10,000 supermarket bakeries, their numbers doubled over the last five years, have snared a 35% share of the doughnut market, according to Elliot Karlin, director of advertising.

To lure doughnut customers into the 1,061 Dunkin' Donuts shops, the ads feature a prospective supermarket bakery customer who discovers a poor assortment of stale and ill-prepared doughnuts before gladly turning to the Dunkin' Donuts' version.

The new strategy is the result of intensive market research in the beginning of 1981, according to Dunkin' Donuts president Robert Rosenberg.

"We knew that the other chains are not our competitors, so we needed to know who was so we could orient our campaign accordingly," he said.

The research indicated two things. First, that supermarkets are vigorously installing in-store bakeries—1,300 in 1981 alone—to take advantage of shoppers' desire to do all of their shopping in one place.

But it also pointed to one major weakness of the in-store bakeries: consumer's perception that their product is of low quality. The high costs of operating a "from-scratch" bakery have caused many supermarket

(Continued on page 150)

HIGHLIGHTS IN THIS ISSUE

The lodging industry is on the verge of changing in the coming years. In this issue *NRN* examines the lodging outlook, analyzing its emphasis and where it's heading. *Pages 67-98.*

Quality is expected to influence consumer choices through the 1980's, according to a recent survey. *NRN* editor Charles Bernstein considers this appropriate now that meat standards are getting special treatment by the U.S. Department of Agriculture. *Page 6.*

Establishing trust when it comes to offering wine in restaurants has been challenging operators in recent years. Wine and Spirits columnist Mort Hochstein provides an example of how one operator developed a good reputation. *Page 14.*

Successful promotions offer entertainment, nostalgia and low prices. One reliable traffic booster is the price rollback, which *NRN* explores in this issue's Promo Pointer's column. *Page 12.*

Computer technology is fast becoming a restaurant operator's secret weapon. For Al Falchi, owner of San Francisco's Waterfront restaurant, it helps determine precisely where he's making his money. *Page 12.*

Operating a restaurant on instinct has helped Ruelle's owners not only attract young singles but the media and several celebrities as well. *Page 16.*

Tough economic conditions are having an opposite affect on Luby's Cafeterias. Its 1980 customer count have been consistently solid and sales are going up. *Page 111.*

Expanding on last year's National Restaurant Association (NRA) Show, NRA is planning a larger exhibition area, an authentic food-service kitchen and a closed circuit television broadcast for its 1982 show. *Page 147.*

REGULAR FEATURES

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California Milk regional insert—Pp. 22a-22b

Vol. 15, No. 23 November 9, 1981

COMMODITIES

Beef consumption falls as production increases

***NRN* Special Report**

Consumption of beef has fallen over the past three or four months, and production has increased. As a result, beef stocks in cold storage are growing, putting pressure on prices, which last month fell by nearly 10% over last year at the same time. As operators have discovered, beef is a highly volatile commodity, and price outlook for the coming months is cloudy, however, it appears that the lower prices may hold through the end of the year.

Contributing to the lower prices are increased competition by broilers, which are down nearly 10% from last year. Feed for cattle has also dropped, with the price of corn down 23% and the price of soybeans down 19% from 1980 levels. With lower feed prices, producers are selling more cattle to feedlots, although overall herd levels do not seem to be dropping. The long expected increase in herds is still in the distance, according to U.S. Department of Agriculture economists. Rangeland in Western states has still not fully recovered from the drought of last year and ranchers hesitate to invest at high interest rates in more cattle.

Unconfirmed rumors that the United States might sell beef to Russia, which had a major shortfall in its grain crops this year, pushed beef prices up several cents per pound. Such sales are unlikely, though not impossible. Russians would probably prefer lower cost beef from New Zealand, Australia and Argentina. Brazil has also become a net exporter of beef in the past several years.

Coffee Prices Rise

Green coffee prices have spurted to within 2¢ of last year's price at this time, because quota agreements by the International Coffee Organization, to which Brazil subscribed, and extremely heavy buying by United States roasters for the winter coffee drinking season. Roasters had permitted its stocks of higher priced coffee to be depleted and are now buying. In early October, Procter & Gamble raised its wholesale price of vacuum packed coffee by 25¢ a pound, but General Foods and Nestle refused to post any increases. At presstime, P&G was still out ahead of the pack and lonely; industry watchers expected either reluctant increases by GF and Hills or a drop by P&G.

The International Cocoa Organization has been flexing its muscle during October. It started buying world stocks to keep the prices up, and for a while the tactic worked, moving the price from about 98¢ to over $1.04 a pound. But after the rise, the price started to slip back again, and by mid-October was expected to be below $1 per pound.

Dairy Price Supports Raised

Butter is up again, to $1.5075 a pound for Grade AA at producer's f.o.b. prices. This is because another round of Federal price increases took place in support levels, and were passed on to food-service operators and consumers. Commodity Credit Corporation officials have a lot of room to store more butter, which they pay $1.56 a pound for, since the last summer sale of more than half of the Government's butter stocks to New Zealand at about half the price it had cost.

World stocks of sugar are in bumper supply and the world's price is depressed below the 12¢ a pound which triggers United States import "fees." As a result, another 1¢ of tax was placed upon sugar early in October, bringing the price to the United States up by another 2¢. But prices now are less than 50% of last year's levels, and sugar is a bargain for operators using it heavily.

Price & Supply Roundup

Fruit cocktail prices are down by 12% from last year, even though the increased costs of manufacturing (energy) and higher peach prices have begun to push up levels. . . . There is a big pear crop in California, Oregon and Washington, according to the pear producer organization in that area. . . . Orange juice frozen concentrate, after a strong rise in futures during September, dropped in mid-October, based upon U.S.D.A. crop estimates.

PRICE MOVEMENT AT A GLANCE

	Oct. 9, 1980	Sept. 9, 1981	Oct. 9, 1981
Beans, Navy, dry, Mich. (cwt.)	$27-28	$31	$43
Beef, Choice, 700-900 lb. Midwest (lb.)	$ 1.07	$ 1.03-1.04	$ 0.97-0.98
Broilers, Grade A, ice pack, N.Y.C. (lb.)	$ 0.5111	$ 0.4831	$ 0.4601
Carrots, frozen, Grade A, whole (lb.)	$ 0.415-0.42	$ 0.455	$ 0.46
Coffee, green beans, N.Y.C. (lb.)	$ 1.30	$ 1.10	$ 1.28
Corn, frozen, Grade A (lb.)	$ 0.37	$ 0.46-0.47	$ 0.46-0.47
Fruit Cocktail, Choice HS, Calif. (6/10)	$17.40	$14.40	$14.40-$15.25
Lettuce, Iceberg, Salinas (24s)	$ 4.50	$ 6.50-7	$ 3.50-4
Pork Loin, 14 down, Midwest (lb.)	$ 1.0175	$ 1.06-1.065	$ 1.02
Sugar, cane, refined, N.Y.C. (lb.)	$ 0.5710	$ 0.2410	$ 0.2660

Source: *NRN* Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Breakfast adds punch to sales at McDonald's, Hardee's units

By Charles Forman

Continuing increases in breakfast sales at McDonald's and Hardee's should offset projected reverses in basic hamburger business at both chains, according to food-service chain analyst Carl DeBiase.

He reported McDonald's estimated 1981 breakfast sales as 17.9% of total sales, vs. 17.2% last year. Hardee's 1981 estimated breakfast sales were pegged at 25% of total sales, up from 19.6% last year.

In menu terms, McDonald's breakfast strategy centers around the Egg McMuffin, selling at a 1981 estimated average price of $1.16, up 7.3% from last year, and an Eggs & Sausage Platter, selling at a 1981 estimated average price of $1.61, up 6.8% from 1980.

Hardee's breakfast menu concentrates on a Sausage & Biscuit item, selling at a 1981 estimated average price of $0.74, a decline from last year's average price of $0.75 for the same item, and Biscuit with Sausage & Eggs, which costs customers an average today of $0.98, 10% more than last year.

In the South, McDonald's also has a Sausage Biscuit, which at an average price of $0.96 is $0.22 more expensive than Hardee's Sausage & Biscuit.

DeBiase's figures and analysis are part of an annual survey that has tracked McDonald's breakfast sales since 1976 and Hardee's since 1979.

The chains' breakfast sales are growing at the expense of traditional coffee shops, DeBiase noted. Most coffee shop sales erosion is occuring in the menu items also sold by the two fast-food chains.

For 1981 estimated average number of breakfast checks per unit per year is up 10% to 89,700 at McDonald's and up 28% to 93,300 at Hardee's.

Hardee's average breakfast check has risen about 12% to $1.78. McDonald's has edged up just 4¢ to $2.16.

Breakfast sales strength at both McDonald's and Hardee's should keep 1981 store sales, adjusted for menu price increases, at about 1980 levels at both chains, DeBiase said.

DeBiase estimated declines in hamburger business for both chains, after adjustment for menu price increases. He predicted that 1981 average check would rise roughly 5% for both. A 1.5% increase in check count was predicted for McDonald's and an unchanged check count for Hardee's.

DeBiase said the United States breakfast market is probably maturing and that the entrance of additional chains into the market will not expand it but more likely intensify competition.

He suggested that in the absence of a dynamic growth market it might be impossible for newcomers to the breakfast market to achieve adequate rates of return on their investment.

In the case of McDonald's and Hardee's, considerable competition now exists in Hardee's major market area, the South.

DeBiase said that in all areas of marketing activity, including drive-through windows, phone orders and promotions, McDonald's is more active in the

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Canteen's Miller out; McGuire to succeed

CHICAGO—Howard C. Miller has resigned as president and chief executive officer of Canteen Corp., the $800 million volume vending, food-service and concessions concern and subsidiary of Trans World Corp.

The parent company named James T. McGuire, who had been Canteen's executive vice president since 1976, to succeed Miller.

Miller's resignation triggered speculation that he was pressured to resign because of Canteen's profit performance. His exit might have also been foreshadowed by Trans World's promotion last January of another, younger food-service executive over Miller's head. Miller, who is 55, could not be reached for comment.

Trans World appointed Charles Bradshaw, 44, chairman of Spartan Foods, another Trans World subsidiary, to the newly created post of senior vice president for food services at Trans World last January. Spartan Foods, operator of about 230 Hardee's fast-food restaurants and 80 Quincy's Family Steakhouses in nine Southeastern states, was acquired by Trans World in 1979 and has grown rapidly since.

With Bradshaw's appointment, Miller had to report to him. Previously he reported directly to Trans World Corp. chairman L. Edwin Smart.

Reached by telephone, Brad-

(Continued on page 149)

Sambo's fails to pay 1st loan installment

CARPENTERIA, Calif.—Sambo's Restaurants Inc., which failed to pay the $4.8 million first installment of a $100 million restructured loan, is negotiating with its lenders in hopes of reaching some new financial arrangement with them.

On Sept. 30 the financially beleaguered chain missed the due date for payment of $1 million in principal and $3.8 million in interest owed under a July 1980 restructured agreement between Sambo's and its 17 unsecured lenders.

The company also said in a statement that it is failing to meet certain financial-ratio covenants included in the loan agreement.

Technically, any of the lenders has the right to demand payment of their portion of the $100 million loan because of the default.

"That's what could happen," a Sambo's spokesman said. He added, however, that what would probably happen will be continued talks until the situation is resolved.

"I wouldn't characterize the negotiations as major or minor," he continued. "They're just negotiations."

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Pillsbury restructures restaurants

Poppin Fresh Pies integrated

MINNEAPOLIS—Pillsbury Co. has restructured its restaurant operations by placing Poppin Fresh Pies, the 69-unit coffee shop/family restaurant chain, under the direction of Steak and Ale, its Dallas-based subsidiary.

To facilitate the change, Jeffry J. Shearer has been named executive vice president and general manager of Poppin Fresh restaurant group. Shearer, a former regional manager in Greensboro, N.C., for the Steak and Ale dinnerhouse chain, reports to J. Michael Jenkins, Steak and Ale's executive vice president.

Shearer, a nine-year Steak and Ale veteran, replaces Donald J. Ryan, a former Friendly Ice Cream executive, in the top spot at Poppin Fresh. Ryan resigned his post last month.

"Poppin Fresh used to report to the chief executive officer at Pillsbury," a company spokesman said. "That's all been changed—it reports now to Steak and Ale. That's where the resources of our restaurant operations are."

Poppin Fresh Pies restaurants, situated mostly in the upper Midwest, have been suffering in the last two years from decreasing customer counts. "The profitability has been pretty good," the spokesman said, "but unit sales have been going down."

Average unit sales at Poppin Fresh restaurants were $902,000 at the end of fiscal 1981 in May, compared to $945,000 the previous year. Pillsbury, which also owns Burger King, does not break out the earnings of its individual restaurant operations.

Poppin Fresh Pies restaurants had total sales of $62 million in fiscal 1981. Total Pillsbury restaurant sales that year were $1.2 billion. There are 273 other restaurants in the Steak and Ale group, including Steak and Ale dinnerhouses, Bennigan's and Le Chateau.

Shearer's appointment was made by Hal W. Smith, president and chief operating officer at Steak and Ale, who also named Michael Kwiatkowski senior vice president of operations for Poppin Fresh. He was formerly vice president of operations.

FINANCIAL NEWS

International King's net down

EUGENE, Ore.—International King's Table, a 51-unit buffet cafeteria chain, posted $10,000 in profits for the first quarter ended Sept. 19, compared to $158,000 in the year-ago period.

Restaurant sales were up 13%, to $7.8 million. Total revenues rose 8%, to $7.9 million.

Higher income was reported in the year-ago period, the company said, due to a one-time $351,000 gain on the sale of property.

The company has reported losses for fiscal years 1981 and 1980. The current second quarter, the company indicated, would be particularly difficult and no promises of profitability were made.

During the quarter five more restaurants were converted, bringing the number to 20, to units offering carved roast beef and ham at dinner with self-service centers for coffee, soft drinks and ice cream sundaes. Further conversions are planned.

Also during the quarter, the company said, the firm's bank debt was reduced from $7 million to $5.3 million.

Resorts Int'l posts loss

MIAMI—Resorts International Inc. has reported a net loss of $10 million for the third quarter ended Sept. 27 and a net loss of $2.5 million for the first nine months of the year due to investment losses totaling $27 million in the last three months.

The big loss incurred by the company, which owns and operates Resorts International hotel-casino in Atlantic City, N.J., as well as other properties, came as a result of sharp declines in Treasury bond futures contracts held by the company.

The $27 million investments losses offset the earnings from operations of $17 million reported by the company in the third quarter. The quarterly loss is the company's first since it opened its hotel-casino in Atlantic City on May 26, 1978.

The firm, according to a spokesman, expects to continue to hold bond contracts in hopes of long-term profits. He said Resorts' board is confident that interest rates will decline,

Profits rise at Luby's

SAN ANTONIO—Luby's Cafeterias Inc., a 60-unit cafeteria chain in the Southwest, reported profits increased by 22%, to $9.7 million, on a 20% increase in revenues, to $110 million, for the fiscal year ended Aug. 31.

For the fourth quarter, three months ended Aug. 31, the company reported profits increased 17%, to $2.8 million, on a 24% revenues increase, to $30.5 million, over the year-ago period.

The corporate name of the firm was changed from Cafeterias Inc. to Luby's early this year.

Picadilly posts 16% net gain

BATON ROUGE, La.—Picadilly Cafeterias, an 80-unit chain, reported profits rose 16% to $2 million, on a sales gain of 13% to $34.7 million, for the first quarter ended Sept. 30.

A new unit was opened in Chesapeake, Va., after the end of the quarter, and several others are planned for this fiscal year.

Hungry Tiger net climbs 20%

LOS ANGELES—Hungry Tiger, operator of 13 units, has reported its fifth consecutive year of earnings and income gains with a 20% increase in net income to $1,616,000 over last year's figures for the year ended Aug. 28, 1981.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two weeks ended Oct. 23							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week																				
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	6.88	6.63	6.88	.38	5.77	10.63	5.38	.42	.04	-.88	35.27	.34	.02 N	5.8	14.0	5.8	19.1	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	14.75	13.00	13.88	.50	3.74	21.88	10.00	.12	-.65	-2.13	12.40	1.67	.40 F	31.4	73.0	6.3	8.3	.20	1.4	07-27-81	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	27.00	24.50	24.75	-2.00	-7.48	37.25	24.50	-.62	-.71	2.87	20.05	5.33	-.36 N	-6.8	7.0	2.3	5.1	2.00	8.1	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.38	5.13	5.13	-.25	-4.65	8.63	4.38	-.76	-.18	-2.45	-2.80	.80	-.37 N	-36.6	-2.0	3.3	8.0	.12	2.3	06-02-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.25	3.13	3.25	.13	4.00	4.88	1.63	-.08	.76	-.15	50.00	.47	.14 S	31.8	41.0	2.3	5.6	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	21.75	20.00	20.00	-2.25	-10.11	22.69	15.19	.14	-.76	.28	22.20	1.35	.29 S	26.1	33.0	9.1	14.3	.40	2.0	09-21-81	125.2	11.4	1.7	.0	5	0480
Bonanza Intl Inc	BNZA	2.13	2.00	2.00	-.13	-5.88	6.88	2.00	-.47	-1.64	-1.38	-1.64	.24	-.43 S	-286.6	-16.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel	BHCO	12.00	10.13	11.63	1.50	14.81	13.16	6.00	-.06	-.79	3.96	5.41	.44	.04 N	9.5	27.0	4.2	25.3	.08	.7	08-11-81	104.3	4.4	1.0	8.5	3	1280
Calny Food	CLNY	12.00	11.50	11.75	-.75	-6.00	15.50	8.50	-.18	.26	3.43	21.88	1.35	-.29 Q	-17.1	8.0	2.2	8.4	.20	1.7	07-01-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	6.38	5.75	6.00	-.50	-7.69	12.88	4.38	.83	.16	-2.74	3.57	.95	.49 Q	75.3	34.0	2.4	5.3	.07	1.2	11-17-80	75.6	1.8	.7	11.1	5	0581
Chart House	CHHO	19.38	18.38	18.50	-.88	-4.52	22.88	10.06	.69	-.38	-.66	-27.26	1.75	.26 S	16.0	12.0	4.9	9.8	.52	2.8	07-16-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	18.75	18.00	18.50	-.13	-.67	27.25	11.94	.11	.69	-3.29	-22.35	.46	.34 Q	161.9	35.0	12.9	33.6	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.00	10.63	12.13	.88	7.78	13.00	5.88	.40	3.22	2.77	35.20	.66	-.03 F	-4.3	8.0	2.7	18.4	.40	3.3	06-24-81	118.8	3.3	2.5	1.1	5	0780
Churchs Fr Ch	CHU	28.88	25.50	26.00	-2.62	-9.17	37.38	23.25	-.44	-.14	-1.06	9.76	3.01	.55 N	18.7	24.0	9.9	7.5	.84	3.2	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	2.75	2.50	2.63	-.13	-4.55	4.63	1.50	-.62	1.34	-.01	-9.62	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	15.88	15.00	15.75	.25	1.61	19.88	9.50	.14	.46	3.00	-29.93	2.08	.31 Q	15.1	10.0	2.8	6.7	.32	2.0	06-24-81	265.2	7.5	1.4	14.2	17	0481
Dennys Inc	DEN	30.00	27.50	29.50	1.75	6.31	31.75	17.13	.59	.85	.46	-9.32	2.96	1.03 F	53.3	6.0	3.2	10.0	.88	3.0	09-03-81	708.8	17.0	1.1	27.6	17	0680
Dunkin Donuts	DUNK	14.00	13.00	13.00	-.13	-.95	18.25	9.34	.09	-.19	-.63	10.77	1.53	.35 N	24.6	21.0	8.2	7.3	.30	2.3	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.00	6.50	7.25	.75	11.54	8.50	4.75	.15	1.21	7.84	-16.93	1.45	.71 Q	66.9	13.0	3.0	4.1	.38	5.2	09-29-81	97.0	2.9	1.2	7.5	13	0581
Ginos	GNO	15.63	9.00	12.50	-1.25	-9.09	15.63	6.75	2.33	8.83	8.51	-5.31	1.67	1.40 S	NE	1.0	1.4	13.6	.44	3.5	08-13-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.75	6.75	6.75	.00	.00	9.00	6.25	-.10	.05	-16.49	.00	.27	-.95 F	-77.8	-16.0	.7	25.0	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	2.88	2.75	2.75	.00	.00	11.75	2.75	-.63	-.86	-3.37	-22.58	.44	-.20 N	-34.4	-10.0	8.6	7.2	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	39.25	34.50	38.13	3.38	9.71	52.25	33.25	-.22	1.74	-2.07	9.91	4.00	.21 N	5.3	35.0	20.3	9.3	1.60	4.2	08-31-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	26.50	24.00	26.00	1.13	4.52	33.25	21.13	.20	.89	-.04	-3.23	2.92	.52 S	20.1	27.0	7.1	8.4	.74	2.8	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	37.00	37.00	37.00	.00	.00	48.75	32.25	-.07	.07	-3.15	.00	NA	NA		NA	NA	NA	NA	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	9.88	8.63	9.63	.63	6.94	22.38	8.00	-.01	1.69	-3.87	-.25	.96	.00 S	.0	41.0	3.1	9.7	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	14.88	13.00	14.75	1.75	13.46	24.25	12.00	.00	1.65	5.17	7.83	2.74	-2.02 N	-66.6	3.0	3.9	14.6	.60	4.1	09-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	6.75	6.75	-.25	-3.57	9.38	5.25	-.34	-1.73	-3.75	-9.78	.92	.13 F	16.4	64.0	3.2	7.3	.00	.0	08-24-81	39.1	1.3	.9	6.0	3	0880
Imperial Grp	IMT	1.25	1.06	1.19	.06	5.56	2.00	1.06	-.24	-1.06	2.04	33.02	.62	-.15 S	-21.1	28.0	2.1	2.1	.16	13.5	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	12.50	12.00	12.50	.25	2.04	13.25	7.50	-.15	.65	5.16	32.41	1.34	.30 N	22.7	51.0	6.1	7.7	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.00	1.88	1.88	-.13	-6.25	3.38	1.75	-.72	-1.75	4.29	-1.67	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	3.13	2.88	2.88	-.25	-8.00	4.50	2.63	-.46	-1.25	1.80	28.41	.35	.54 N	NC	-2.0	2.0	5.3	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	21.50	19.63	20.00	-1.75	-8.05	27.63	13.50	-.15	.26	-3.40	15.89	1.70	.39 F	29.7	15.0	5.6	11.8	.12	.6	08-18-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.38	4.00	4.13	.00	.00	4.38	3.25	.40	-1.19	-3.39	66.67	.26	-.43 N	-143.3	-21.0	3.6	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.00	13.00	14.75	1.75	13.46	16.25	10.75	.90	2.14	3.31	14.50	.58	.67 Q	NC	159.0	5.9	22.0	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	5.25	1.75	2.50	-2.75	-52.38	9.00	1.75	-2.05	-2.28	7.44	4.91	-.60	-.60 Q	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	27.50	26.00	27.50	1.25	4.76	28.19	17.00	.14	1.40	-2.75	36.96	1.45	.27 F	22.8	24.0	8.9	19.0	.48	1.7	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	5.63	5.25	5.63	.38	7.14	7.28	5.00	-.16	1.17	-4.11	16.67	1.15	.08 F	7.4	9.0	5.8	4.9	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	34.88	33.63	34.25	.13	.37	47.00	27.88	.02	.13	3.71	18.10	2.60	.59 N	23.9	28.0	4.2	11.2	.24	.7	09-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	70.00	63.63	65.88	.63	.96	70.25	43.38	.38	-.82	-1.08	-13.26	5.49	.99 S	19.5	19.0	10.1	10.9	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.50	8.88	9.38	.63	7.14	13.88	8.25	.00	-.03	-1.87	-14.57	.95	-.04 Q	-4.0	6.0	3.9	9.9	.32	3.4	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	3.13	2.75	2.75	-.38	-12.00	4.75	2.25	.71	-.86	-1.39	-45.65	.19	-.65 S	-91.5	27.0	.5	45.8	.02	.7	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.06	.88	1.00	.13	14.29	2.38	.88	.05	-1.81	-5.70	-23.21	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.50	9.00	9.00	-.50	-5.26	12.25	9.00	-.53	.03	-7.97	.00	1.28	-.16 F	-11.1	19.0	1.0	7.0	.32	3.6	09-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	8.75	8.00	8.25	.00	.00	9.25	5.00	.28	-1.14	1.69	-26.81	1.05	.55 F	110.0	23.0	5.2	7.9	.15	1.8	08-20-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	14.75	14.00	14.75	.50	3.51	19.00	11.88	-.54	.51	-2.21	-8.21	1.30	.25 F	23.8	13.0	6.1	11.3	.48	3.3	09-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.88	6.75	7.00	-.75	-9.68	11.50	3.68	.04	.04	1.63	-64.01	.59	.08 S	15.3	-3.0	1.4	11.7	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	15.25	13.88	14.63	-.13	-.85	19.75	9.88	.17	.60	-.56	-20.95	.60	-.25 S	-17.0	1.0	.8	12.0	.40	2.7	09-15-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.38	5.88	6.13	-.13	-2.00	12.50	5.25	-.09	.56	-2.99	16.77	.53	.36 S	112.5	26.0	4.1	9.0	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.13	4.75	5.13	.13	2.50	8.25	3.13	.16	1.05	-2.46	54.17	64	.49 S	84.4	28.0	1.6	4.8	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	19.38	18.38	18.75	-.13	-.66	23.75	7.25	.29	.08	2.56	-24.41	2.36	1.05 Q	68.6	15.0	1.4	7.3	.44	2.3	08-17-81	819.0	11.6	.9	9.3	15	0681
Sambos Rests	SRI	3.50	2.50	2.50	-1.00	-28.57	6.75	2.50	-.84	-5.79	1.85	43.17	-1.05	3.88 S	NE	-61.0	-2.4	NE	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
Shoneys Inc	SHON	13.63	13.13	13.63	.50	3.81	14.16	9.66	.16	.46	3.86	24.07	.83	.16 N	19.7	20.0	5.6	14.0	.16	1.2	10-13-81	210.6	11.8	1.0	1.2	4	1080
Sonesta Hotel	SNSTZ	10.25	10.00	10.25	.00	.00	15.00	7.66	-.01	.06	-.18	-77.78	2.24	1.56 S	127.8	101.0	3.6	3.7	.16	1.6	07-07-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	3.00	2.75	2.88	-.25	-8.00	3.25	1.44	.66	1.08	3.72	27.93	-.03	1.10 N	NE	-28.0	-.2	12.0	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Valles Steak	VLE	5.88	5.00	5.13	-.25	-4.65	7.63	4.25	.33	.30	-3.76	-60.00	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	8.88	7.25	8.13	.88	12.07	11.25	5.88	.61	.11	4.90	-10.76	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	7.88	7.50	7.75	.13	1.64	8.88	4.63	-.08	1.13	-2.29	.51	-.05	.43 N	NC	-2.0	-.2	18.0	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	16.13	14.75	15.50	.38	2.48	19.38	8.59	.53	.97	-2.31	-21.62	1.34	.30 S	26.3	31.0	8.7	10.8	.28	1.8	08-10-81	347.0	30.1	.5	1.9	6	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

PepsiCo sales up for fast-food units

PURCHASE, N.Y.—PepsiCo reported restaurant operations—comprising Taco Bell and Pizza Hut—operating profits rose 39% for the third quarter ended Sept. 5.

Sales in the company's restaurant operations rose 22% in the quarter and volume, after adjustments for menu price increases, rose an average of 4% per restaurant compared to the same period in 1980.

The corporation as a whole had third-quarter earnings of $102.8 million up 16% from $88.5 million a year ago. Sales rose 15% to $1.7 billion from $1.5 billion. For the first nine months of 1981, the company said earnings rose 15% to $245.2 million from $213.6 million. Sales rose 19% to $4.9 billion from $4.1 billion.

PepsiCo said operating profit rose 13% in the quarter and net income increased by a greater percentage because of reduction in interest costs and taxes. Foreign exchange gains narrowed from $4.2 million a year ago to $2.1 million in the current quarter.

Chi-Chi's licensee net climbs

OKLAHOMA CITY—Kelly-Johnston Enterprises Inc., a Chi-Chi's licensee based here, reported net earnings for the second quarter ended Sept. 27 rose 120% to $383,230 from $174,566 a year earlier.

Sales for the quarter were up 32% to $4 million from $3.1 million a year ago.

Net earnings for the first half of the fiscal year increased 84.9% to $675,434 from $365,343. Total revenues for the same period rose 32.1% to $7.6 million from $5.8 million a year earlier.

Arthur M. Kelly, chairman, said the company has reached an agreement to acquire the Colorado Springs franchise territory, giving the company exclusive franchise rights in California.

"Our seventh and eighth restaurants are under construction in Independence, Mo., and Lawton, Okla.," Kelly said, adding that the projected opening dates are December 1981 and February 1982, respectively.

Kelly Johnston Enterprises currently operates six restaurants located in Oklahoma City, Tulsa and Midwest City, Okla., and Wichita and Overland Park, Kan. The company has exclusive licensee rights in Arkansas, Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma and Wyoming.

Marriott's earnings rise 11.5%

WASHINGTON—Marriott Corp., the hotel company which also operates Big Boy and Roy Rogers restaurants, said net income rose 11.5% to $28.2 million for the third-fiscal quarter, ended Sept. 11.

Sales increased 15.3% to $503.4 million.

"We believe our businesses performed very well given the obvious adverse conditions that affected their environment during the quarter," said J. W. Marriott, the company's president. "These handicaps included a continued soft overall economy, the air traffic controllers' strike and reduced air traffic and hotel demand prior to the strike."

First qtr. soars 110% at Saga

MENLO PARK, Calif.—Saga Corporation reported a 110% net profit rise to $2.1 million for its first quarter ended Sept. 26, compared with the same period last year. Sales were up 12% to $193.6 million.

Charles A. Lynch, president and ceo, said these results were due in large measure to management's continuing efforts to improve profitability by controlling costs, pricing effectively and reducing asset requirements. Moderate food cost increases and lower net interest expense also continued to favorably impact results, he said.

Saga owns and operates three restaurant chains—Stuart Andersons Black Angus/Cattle Company, Velvet Turtle and Straw Hat Pizza and provides food service to colleges, businesses and hospitals through its contract feeding divisions.

Church's reports net jumps 9%

SAN ANTONIO—Church's Fried Chicken, a 1,324-unit chain, posted a 36% net profit gain to $10.5 million on a 9% revenues increase to $103 million, for the third quarter ended Sept. 6, compared with the same period last year.

For the 36-week period, profits rose 25% to $30 million, and revenues climbed 12% to $293 million.

Third-quarter profits were aided by lower chicken prices, compared to a year ago. The price per pound in the third quarter was about 48¢, compared to 51¢ last year, the company reported.

Also during the quarter, 11 new company stores were opened. Among franchisees, 13 stores were opened and two were closed. Systemwide, the number of units rose to 1,324 from 1,228 a year earlier.

Marcus posts 6% increase

MILWAUKEE—The Marcus Corporation, operators of the Pfister Hotel and Tower, the Marc Plaza Hotel and the Sheraton Mayfair Inn as well as 110 restaurants, reported a 6% increase in net income over last year's figures to $2,282,000 for the first quarter of fiscal 1982, ended Aug. 20.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Denny's Inc.	3 mos.	9/25			$241.251	16	$10.704	41
Frisch's Rest.	16 wks.	9/20			33.525	6	1.301	93
Host Int'l	9 mos.	9/30	$300.257	13			2.262	– 79
	3 mos.	9/30	106.585	11			0.783	– 82
Kelly-Johnston	26 wks.	9/27			7.664	32	2.675	85
	13 wks.	9/27			4.155	33	0.384	119
Luby's	1 yr.	8/31			110.165	20	9.787	22
	3 mos.	8/31			30.552	24	2.763	17
Saga	3 mos.	9/26			193.572	12	2.092	115
Sandwich Chef	3 mos.	9/26	3.938	22			0.192	22

Source: Company earnings reports

—Loss in current period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Report: Conserve energy

WASHINGTON—The United States "is almost totally unprepared to deal with disruptions in oil imports" such as the 1973 OPEC embargo or the 1979 Iranian oil shortfall which sent food-service industry sales and profits plunging, the General Accounting Office warned Congress.

In a massive, two-volume report sharply critical of Reagan Administration reluctance to develop emergency standby fuel conservation initiatives, G.A.O. officials maintained that unless a "menu" of energy-saving contingency plans are developed now, the next oil import crisis could threaten both the United States economy and national security.

Gas Rationing rejected

Significantly, G.A.O. did not recommend implementation of Federal gasoline rationing—the one energy conservation mechanism most vigorously opposed by restaurant industry leaders.

But the Congressional "watchdog" agency did call for a number of other emergency stand-by conservation approaches which have drawn heated criticism from the food-service field, including nationwide building temperature restrictions, and a "compressed workweek" which would require restaurants and other businesses to close down entirely at least one extra day each week.

Energy Laws Modified

Restaurant industry concern over the impact of such radical energy conservation measures has eased considerably in the past nine months due to the Reagan Administration's abrupt break with Carter energy policies.

As one of his first official acts in office, President Reagan promptly revoked the emergency building temperature requirements which had been in force since mid-1979. At the same time, the new Administration also withdrew a series of emergency Federal standby conservation plans (including a "compressed workweek" requirement and harsh new limits on gasoline sales) which had been scheduled to take effect during future emergencies in states without effective fuel-saving plans of their own.

Moreover, at the request of the Administration, Congress allowed the President's existing gasoline rationing authority to expire on Sept. 30.

Although food-service industry lobbyists at the National Restaurant Association and other groups supported Reagan's move away from Federal fuel conservation initiatives, G.A.O. officials contend that the current lack of emergency energy planning has left the industry and the nation vulnerable.

Oil Crisis Possible

In warning Congress not to become complacent because current oil supplies are abundant, G.A.O. maintained that "the world oil market is inherently unstable" and a crisis could develop at any time.

The present "slack market is similar to the one prevailing in the years preceding the Iranian oil shortfall of 1979," G.A.O. said. "The United States ignored the underlying instability of the Middle East then and paid for it dearly as prices doubled in 1979 and 1980."

Emergency Fuel Measures

As the first step in developing what it called a "menu" of emergency fuel conservation initiatives, G.A.O. urged Congress to amend the 1979 Emergency Energy Conservation Act to require states to have mandatory gas saving programs "designed, developed, and on-the-shelf ready for implementation on a standby basis."

Under the present law, states are not required to submit such standby plans for Federal review until after oil supply disruptions reach crisis proportions. So far, according to G.A.O., only three states have prepared these local contingency plans.

In addition, the agency maintained that the Federal Government should have its own set of emergency conservation initiatives ready to implement during a crisis in states which lack such local programs.

At present, the only such Federal emergency initiatives still under consideration by the Reagan Administration are minimum automobile fuel purchase requirements and a national "public information" program to discourage unnecessary driving during a gasoline crisis. What's more, according to G.A.O., because of red tape requirements it would take the Federal Government at least 165 days to begin implementing.

After sifting through nearly 400 possible Federal emergency energy conservation actions, G.A.O. urged Congress to authorize an eight-step Federal standby plan starting with limits on gasoline purchases and progressing toward more drastic measures, such as forced business closings, if necessary.

Under the G.A.O. plan, the Federal Government would respond to a major disruption in foreign oil supplies by asking restaurants and other commercial businesses to reduce electricity, oil and gasoline use on a voluntary basis.

Government Restrictions

Industrial energy users, homeowners, airlines and motorists would also be asked to meet similar conservation targets. If the initial voluntary effort proved to be insufficient, these restrictions would be made mandatory.

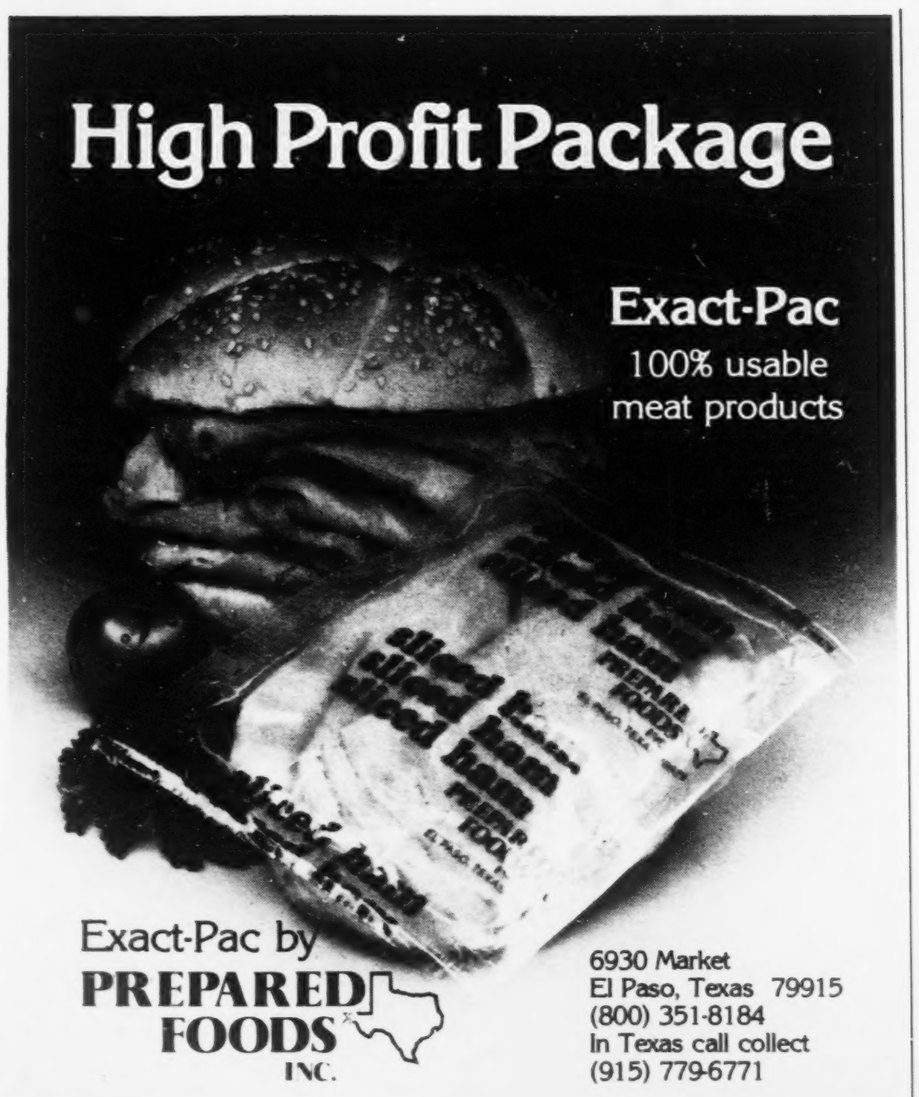
If further energy consumption restrictions become necessary, the Government should then impose new nationwide speed limits, restrictions on the use of private automobiles, weekend gas station closings, and, as a last resort, "compressed work and school weeks" limiting businesses and schools to four days per week, G.A.O. said.

Conclusion

In contrast, the agency called on Congress to avoid gas rationing, which it said "is not and will not be available for use in a disruption for the foreseeable future. And even if it were ready," G.A.O. said, "gasoline rationing is a poor way to equitably share the short supplies."

Likewise, the agency concluded that reimposition of Federal emergency building temperature restrictions opposed by the restaurant industry would not result in significant fuel conservation.

Although the President still has authority to set maximum and minimum temperatures in restaurants and other public buildings, such restrictions "would not do as much to help restrain fuel demand during a future energy emergency because the standards continue to be observed by many commercial establishments" on a voluntary basis, the agency said.



Chains step up public offerings

(Continued from page 1)

the cheapest way to raise capital for the company in the long run," said Henry Harris, controller of Garcia's of Scottsdale, a Mexican dinnerhouse chain in Arizona that operates five restaurants and has three under construction.

Garcia's was one of three companies to go the IPO route last month. It raised $8.5 million, part of which will be used to buy three additional restaurants and to finance expansion. According to Harris, the chain should grow by an additional dozen or so units next year.

Expansion, though on a larger scale, was also the key motive behind the first public offering by Carl Karcher Enterprises, the California-based 300-plus unit chain of mostly Carl's Jr. hamburger restaurants that also went public last month. (The third chain to go public, as of Oct. 16th, was Pizza Ventures, a franchisee of the Godfather's pizza chain.)

Karcher raised more than $19.5 million, by far the largest amount of money raised in the recent surge of IPOs by restaurant companies.

Up until now, Karcher financed growth through about 250 private investors who purchased sites and constructed the restaurants, then leased the facilities to the company. Karcher officials, however, have said that particular financing method does not lend itself to rapid expansion, a plan now in the works.

Going public is but one way companies are turning to in order to finance capital expenditures. Industrial revenue bonds and loans from the Small Business Administration are other ways to steer clear of the crushing cost of more conventional debt markets. But according to a number of analysts, going public, at least for some chains, has generally become easier than in recent memory.

For one thing, Wall Street securities analysts point out, there's been a revival of investors' interest in food-service stocks. Even though the stock markets have slumped from their early-year highs, food-service stocks are nevertheless "higher than they were two years ago in the midst of the gasoline crisis and accelerating commodity prices," said Mike Esposito of the Oppenheimer Fund.

Besides the high cost of debt, other factors to play a role in the increased activity in IPOs are the availability of faster, easier registration procedures with the S.E.C. for smaller offerings, and a lower capital gains tax, according to Meredith Young, editor of the newsletter *Going Public: The IPO Reporter.*

According to Young, food-service companies that have entered the equity market this year include Kelly-Johnston Enterprises, a franchisee of Chi-Chi's Mexican dinnerhouses operating six units in Oklahoma, and Minneapolis-based Esteban's Mexican Foods, a five-unit chain.

Another chain that went public is Big Bite. Headquartered in Columbus, Ohio, the company has merely four units, all specializing in sandwiches. But the offer of 110,000 shares, at $7.75 each, sold out in just one day.

In all, the nine restaurant chains Young listed as having gone public this year raised a total of more than $60 million.

Food-service chains are not the only companies to increasingly turn to initial offerings. The "revival of investor enthusiasm is the entrepreneurial spirit," as Young put it, has made it easier for others to come into the market as well.

In the first eight months of 1981, 338 companies went public, raising a total of $2.495 billion for their coffers. By contrast, in all of last year 237 companies raised $1.4 billion.

Other food-service companies might follow suit this year. Those known to have registered include Naugles, a California-based, a 68-unit Mexican-American fast-food chain owned by Harold Butler, cofounder of Denny's. Others, according to Young, are Buenas Foods and Omelet Annie's.

Not all companies have sustained investors' confidence since going public, however.

While the stock of some of the chains has soared, others' issues have been floundering. Pizza Time Theatre, for example, which went public in April, raised over $15 million at an initial price of $15 per share. As of the middle of last month, the stock traded at $22.45.

On the other hand, P.M.A. Restaurants Inc., a New Jersey-based franchisor of a sandwich restaurant concept called Philly Mignon, went public August 1980, with an initial price of $0.50. As of Oct. 16th, its stock was bid at $0.25 7/8.

Given the stock markets' vagaries, timing of IPOs can be a crucial issue as well.

Thus, analysts point out, the recent dip in stock prices could well result in the postponement of IPOs by some companies contemplating to go public or already registered to do so.

That's because underwriters feel the issuing company won't get the desired price for its stock. The reasoning is that buyers won't pay more for a company's stock than they would for shares in an existing company of comparable quality.

It's not clear whether any food-service company has decided to ride out the current softness of the market before going public. But some of the major companies that made secondary offerings of stock earlier in the year, when stock-prices were relatively higher, are now breathing a sigh of relief.

"I'd have to say that anyone who's relying on the equity market to do anything, unless he's done so in the past half year, is probably feeling the pinch right now," said Joseph Madigan, executive vice president and chief financial officer of Wendy's.

But if these are not the best times for larger companies like Wendy's to issue new stock, Madigan said, going public for the first time is an option for raising capital that the smaller firms should at least consider.

"I'm sure that the [recent] stock market performance has inhibited some companies from going public right now," agreed Roger Lipton, president of Lipton Research, a division of Ladenburg, Thalmann & Co. In Lipton's view, however, the underwriting environment for companies of "substance"—those that offer a new, good concept or product and sound management, among others—has been "adequately good."

There's general agreement that the IPO market won't fizzle, as long as alternative financing methods are too costly for those that want a reasonable growth rate. And since no one professes to having the crystal ball that would tell which way the economy will turn, for some the time to go public is now.

Food-service chains considering going public are carefully weighing these and other issues, including the dilution of control over one's company and greater public accountability that going public entails.

Nine-unit Luther's chain poised for franchise push

(Continued from page 2)

pany's 45 Chart House restaurants are about $1.2 million—about 50% higher than that of the Cork 'N Cleaver units, despite similar steak-oriented limited menus and an average check of about $16 at each.

This may owe to patrons' perception of the Chart House units as independent restaurants. They tend to be located in unique settings, such as by the seashore, in distinct buildings, such as historic ones or, increasingly, in newly designed units.

The Cork 'N Cleaver concept, on the other hand, comprised identical buildings and the resulting chain identity, combined with high prices. The restaurant suffered, as did others in the segment such as Victoria Station. The home offices near Denver closed, the Cisco's units were formed into a new division based here and the remaining Cork 'N Cleaver steakhouses fell under the dinnerhouse division based in La Jolla, Calif.

But Chart House continues to develop concepts originated by the Cork 'N Cleaver staff. These tend to be restaurants such as "Moxie's," with neon art, colored glass and lacquered tabletops, and "The Colorado Mining Company," with mounted elk heads and craggy granite mantelpieces.

Sales figures at the company's 280 Burger Kings, according to the company, continue to exceed those of the rest of the stores in the chain, where sales this year are flat. Average unit sales of the company's Burger Kings will total about $737,000 for 1981.

This record would be much better, observers claim, if the division were not still recovering from the operational difficulties which vexed it during the late 1970's.

The turnaround was sparked by beefed-up district and area management, tightened cost controls, revised incentive programs and improvements in store manager training—all measures whose benefits are felt more in the long term than in the short term.

Sambo's attempts new financial arrangement

(Continued from page 3)

The loan was restructured after GDV, a unit of city Investing Corp., took over at the financially ailing chain in late 1979. The new arrangement allowed Sambo's seven years to repay its loans.

Sambo's also noted that as of Sept. 30, it had failed to pay quarterly dividends for four quarters on the two series of preferred stock, which are held by GDV. Under terms of the preferred stock offering, GDV now has the right to elect a majority of Sambo's directors at the next meeting Oct. 20. GDV currently holds four of 12 Sambo's board seats. But GDV already has management representation; it doesn't need more board seats to give it additional control.

Meanwhile, Sambo's has filed a $4 million lawsuit against the Ventura (California) district attorney and head of the county's consumer fraud unit, charging them with libel and interference with the chain's economic advantage. The lawsuit focuses on a statement released to the press last December in which Sambo's restaurants in Ventura County were called "a substantial health hazard."

* * *

CAPINTERIA, Calif.—Sambo's has restructured its board so that three of the five members represent City Investing Corp., which has a controlling interest through its GDV subsidiary (slated to be completely acquired by City Investing). The board formerly had five of 11 members as City Investing representatives.

Frank Moothart, a City Investing vice president, was named a new Sambo's director. The four remaining directors are John Quirk, City Investing treasurer; Daniel Shaughnessy, Sambo's chairman and chief executive, a City Investing director too; William Buzick, former chairman and ceo of Consolidated Foods, and Frederick Giersch, a former Montgomery Ward vice president.

Miller out at Canteen; McGuire new president

(Continued from page 3)

shaw denied any conflict between himself and Miller. "There's absolutely no truth to it," he declared.

Besides leaving Canteen, which he joined as president in 1972, Miller also resigned as a director of Trans World Corp. The parent company, whose other major subsidiaries divisions are Trans World airlines and Hilton International, issued a statement saying Miller left "to pursue other interests."

In 1980, Canteen pretax profits declined $7 million to $19 million, while revenues increased 9% to $783 million. The company blamed much of the profit decline on recessionary plant shut downs in the industrialized North and Midwest.

For the first half of 1981, Canteen reported a profit increase of $900,000 to $5.9 million on revenues that rose 8.1% to $381.3 million.

Bradshaw said Canteen will "get away to some extent from the heavy industrial sector into the more light industrial [sector] to spread the risk against an economic downturn." He also said the company would "take advantage of the growth of the Sunbelt."

In a separate interview McGuire, the new president, said the company will "move more of our food business into institutional and commercial businesses.

Canteen's operations include such accounts as Yankee Stadium and Yellowstone Park.

Other plans, according to McGuire, include an emphasis on cost-saving operations, such as its "by the ounce" program. That concept allows customers to choose from and serve themselves a variety of food items, paying an amount determined by the kind and quantity of food they select.

Breakfast improves sales

(Continued from page 3)

South than elsewhere.

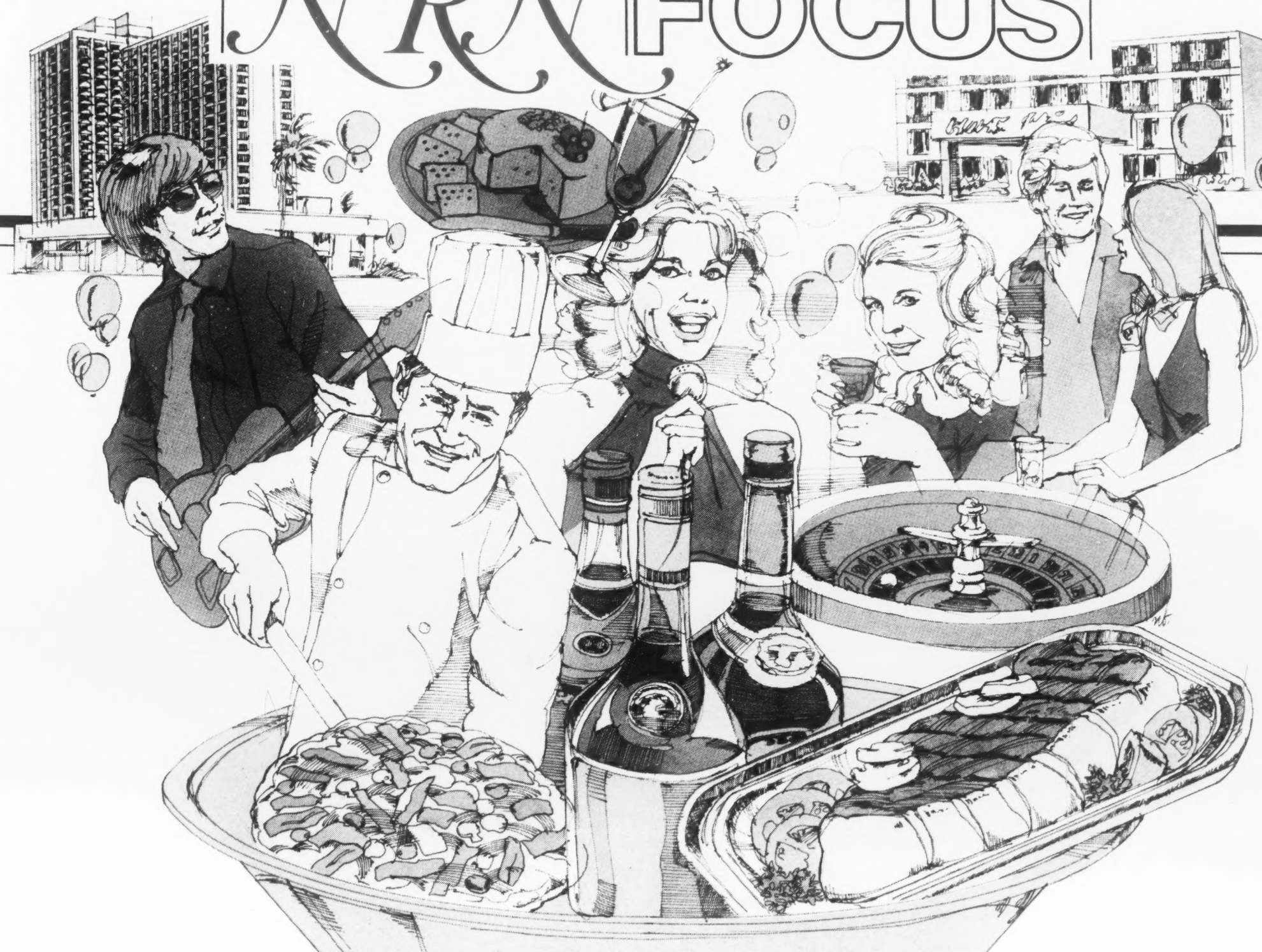
DeBiase interpreted breakfast survey results as indicating an expansion of market share in the South for both chains as a result of their competition.

As far as marketing's affect on breakfast sales specifically, DeBiase found only telephone ordering demonstrated any consistent influence.

At both McDonald's and Hardee's, stores that accept telephone orders are recording a much higher proportion of breakfast sales than other stores, DeBiase said: 18.7% vs. 15.9% at McDonald's, and 26.1% vs. 22% at Hardee's.

DeBiase pointed out that until this year both chains' stores with drive-through windows outperformed those without windows in proportional breakfast sales. This trend appears to be reversing, leading the analyst to speculate that the impact of telephone ordering, too, may be neutralized over time.

NRN FOCUS



THE LODGING OUTLOOK

Analysts remain optimistic despite uncertain economy

By Joe Edwards

To hear the optimists talk, one might think everything's coming up roses in the lodging industry's future. The doom-and-gloom boys see things differently, of course—fewer roses, lots of crabgrass and weeds.

The truth is probably somewhere in the middle. The American lodging industry, despite some serious problems, is poised for expansion in the coming years, and many industry observers and analysts, as well as hotel and motel operators themselves, forecast growth for most segments.

Big question marks loom in the assorted crystal balls, however. Will the Reagan Administration revive the nation's comatose economy? Will interest rates fall? Will domestic travel pick up? Will consumers demonstrate a reluctance to pay the ever-increasing room prices?

Then, too, there are the bread-and-butter matters of operational costs. The world energy situation is perhaps the single most important issue facing the lodging industry. Energy costs continue to rise and eat away profits. Another gas shortage could jolt the lodging industry as it has done twice in the last decade.

Payroll costs are escalating, too, and the price of borrowing money remains at a level that's much too high for many operators. Property taxes may increase in 1982 as states and cities scramble to produce extra revenues necessitated by the axing of huge chunks of Federal aid.

The optimists, while not pleased at the prospect of dealing with these issues, say the industry is prepared for the fight. The lodging industry seems receptive to the Reagan economic

(Continued on page 70)

Food service emphasized as vehicle for new growth

By Rick Telberg

At large hotels and small, chains and independents, top lodging strategists are turning to their food and beverage departments for help.

With room occupancy rates flat or falling, profit demands are translating into a need for increased productivity from existing hotel plants.

As reports in this *Nation's Restaurant News Focus* reveal, hotel restaurants and catering services are being honed to sharp-edged marketing weapons as the hotel industry battles tough times.

Increasingly, major hotels are being built as multiconcept facilities with a variety of restaurants. Chains which in the past regarded food service as little more than a headache-riddled amenity are installing or upgrading restaurant facilities, thus hoping to remain competitive as surging room rates make even "budget-priced" chains less and less affordable to those not in relatively high income brackets.

Food and beverage executives are receiving directives to make their restaurants and catering facilities self-sustaining and competitive with non-lodging operators. They are becoming more closely involved in siting new hotels, designing the kitchens, dining and function rooms and developing restaurant concepts.

As their importance grows, they are assuming more positions of power in corporate hierarchies.

Mike Hurst, well-known as proprietor of Fort Lauderdale's Fifteenth Street Fisheries restaurant but also a professor at Florida International University's School of Hotel Administration, said he especially notices the

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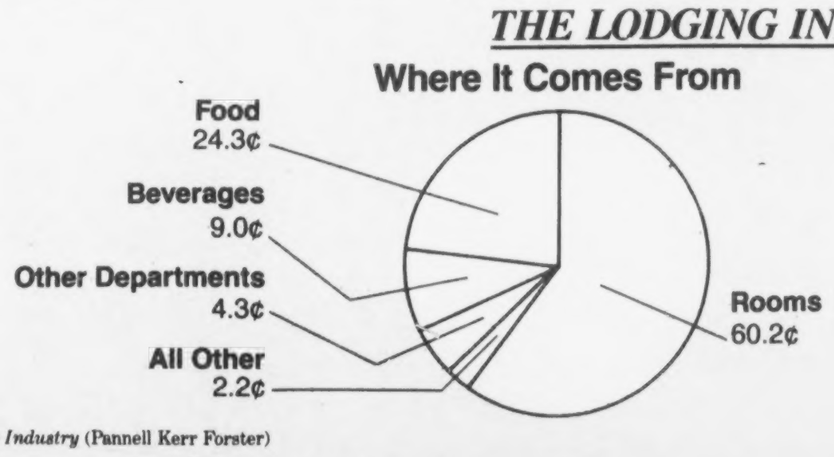
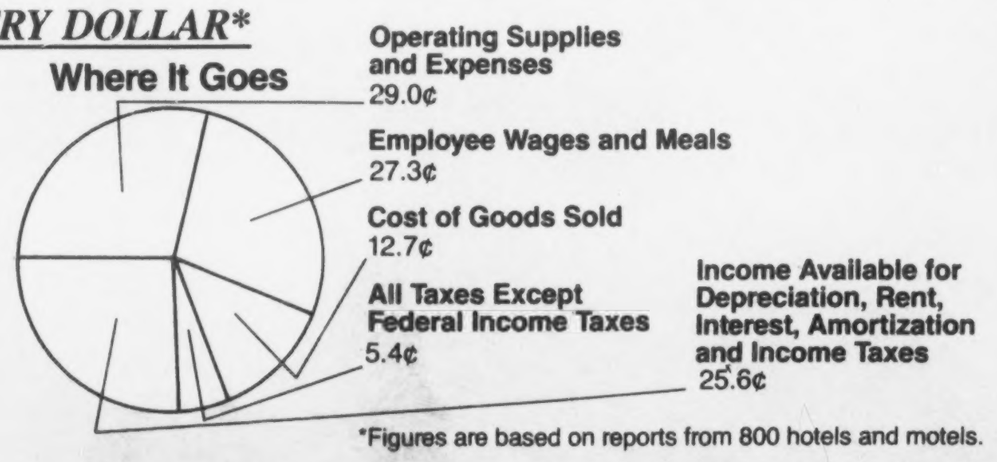
*THE LODGING INDUSTRY DOLLAR**





Source: *Trends in the Lodging Industry* (Pannell Kerr Forster)

*Figures are based on reports from 800 hotels and motels.

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THE LODGING OUTLOOK

Food seen as vehicle for growth

(Continued from page 67)

new importance of food and beverage knowledge at recruitment time.

When hotel executives interview students for management posts, Hurst observed, "the really red-hot candidates are the ones with backgrounds in food. When a recruiter sees the food potential, the bidding is high. These are going to be the long-ball hitters in the future."

"I know that's true," agreed Stephen Peeck, vice president of the North American division for food and beverage at Sheraton, a chain that emphasizes quality food service, "because I'm one of the recruiters.

"Twenty per cent of our resident or general managers come from f&b," Peeck added. "It wasn't always that way." In fact, Peeck's position itself is evidence of the stature food service is garnering in the lodging industry. His position was created five years ago in response to a general upgrading program at Sheraton.

Vance Christian, a private consultant and professor at Cornell University's School of Hotel Administration, suggested that managers tested in the cauldron of food service brought ingenuity and well-taught hospitality to the industry.

"Recruiters want people who can handle problems," he said. "Food and beverage departments are the most demanding. They have the greatest number of guest contacts and the greatest number of employees—and the greatest number of potential problems."

With the heightened emphasis that quality service and inventive cuisine is getting in the industry, Jacques Bourgeois, food and beverage director for Westin Hotels, sees top restaurant talents returning.

"Two or three decades ago," Bourgeois recalled, "hotel restaurants were the best in town. Then food and beverage departments became spoiled. They enjoyed great success and standards declined.

"Ten to 15 years ago," he continued, "there was a renewed interest in food and, how shall I say, proper dining. The entrepreneurs among us left. They opened freestanding restaurants on their own.

"The hotel industry had a drastic downtrend in the quality of restaurants and food service," he said. "But now, the challenge is being taken on again by entrepreneurs who are getting back into it."

Bourgeois, too, sees the greeting experienced restaurant personnel are getting in the industry: "A lot of our general managers have solid backgrounds in food and beverage."

Though food and beverage is being taken more seriously, it is getting no easier to run the departments. Despite the commitment food and beverage is getting from top management—or maybe because of the new emphasis on high-cost quality—the profit margins are narrowing.

Food and beverage revenues increased 5.9% in 1980 over 1979, but the costs increased 6.1%, according to industry accountants and analysts Pannell Kerr Foster.

"The results underscore a relatively weak performance for food and beverage operations during 1980," a Pannell Kerr Foster analyst wrote.

Over the past 20 years, the share of overall revenues that food and beverage operations contributed to the lodging industry's total revenues has fallen markedly. In 1961, food and beverage departments contributed 42.7% of hotel revenues. Last year, the figure was 33.3%, according to Pannell Kerr Foster, which tracks 800 hotels and motels.

Meanwhile, rooms departments, backed by surging room rates, have widened their share of overall revenues, from 49.6% in 1961 to 60.2% last year, according to the analysts.

SOME REVENUE AND EXPENSE ITEMS

	Ratios to Total Revenues			Cost Per Dollar of Sales		
	Rooms (%)	Food (%)	Beverages (%)	Food (¢)	Beverages (¢)	Combined Food and Beverage (¢)
1978	57.3	26.0	9.6	33.8	21.5	30.4
1979	59.2	25.1	9.4	34.7	21.6	31.0
1980	60.2	24.3	9.0	33.6	21.4	30.2

Source: *Trends in the Hotel Industry* (Pannell Kerr Forster)

Excellent food is a top priority at the Helmsley Palace in New York. Here, owners Harry and Leona Helmsley visit the kitchen.

Hotel restaurants turn marketing efforts toward local clientele

In order to wring more productivity out of existing food-service facilities, hotel food and beverage directors are turning to their own backyards to increase volume.

Increasingly, hotel restaurants are promoting weekend brunches to lure local clientele into hotel restaurants on weekends, when occupancy is low. Lunch specials are popping up to capture local businessmen while out-of-town businessmen are out. Happy hours and special entertainment are filling otherwise quiet lounges on Friday and Saturday nights.

All across the country at luxury-class hotels, there is a revival of quality food, service and presentation. Top talent chefs are getting top dollar. They are being told to be creative, to introduce their continental training to the local community, to devise special dishes based on local tastes.

The target of all this attention is the local clientele. "Hoteliers know," suggested Jacques Bourgeois, food and beverage director for Westin Hotels, "that people in the local community will not sleep in the guest rooms. But if there is an opportunity to make them experience the hotel, it is through the restaurants."

It pays off in two ways. First, restaurants boost volume, and second, satisfied dinner customers recommend the hotel to out-of-town acquaintances.

By targeting the local market, food and beverage directors also benefit from an instant barometer of their performance. "In satisfying the local market," Bourgeois said, "we will satisfy the guests."

But in chasing the local client, hotels must compete with all the flexibility and aggressiveness that independent operators have. "We have to follow what the creative entrepreneurial restaurants do," said Stan Bromley, general manager of the Hyatt on the Square in San Francisco.

Hyatt Hotels hope to stay one step ahead of the larger-restaurant market, however, by continuing to offer high-quality food and service. Horst Schulze, food and beverage vice president for the chain, disclosed that the chain may introduce fresh-made ice cream and fresh-baked goods at its hotel restaurants.

Increasingly, too, major hotel facilities are being built with a diversity of restaurant concepts.

The 2½-year-old, 900-room Loews Anatole Dallas, for instance, has five different restaurants: A 24-hour, fast-food kiosk, a coffee shop, a Chinese restaurant, a Mexican restaurant and a continental restaurant.

Half the traffic in the continental and Mexican restaurants is local, according to Randy Gantenbein, food and beverage director. Of the 900 covers he serves at Sunday brunch, 75% are local.

At the Hyatt Regency Fort Worth, opened last May, the hotel Cafe Centennial caters to local tastes by featuring a barbecue buffet. The restaurant also appeals to local diners and establishes an identity by incorporating into its menu Tex-Mex cuisine.

Regional dishes take center stage at the Boston Ritz-Carlton as well. Clam chowder, Maine lobster in whiskey sauce and other seafood dishes form the backbone of the menu, according to John Carter, food and beverage manager.

The Ritz-Carlton food and beverage department provides the hotel with about half of the property's total revenues, Carter said, despite the fact that the main dining room is on the second floor.

Sometimes the need to tailor restaurant operations to the local community is painfully obvious. Felix Meier, vice president for food and beverage at Radisson Hotels, scaled down the concept at the St. Paul, Minn., property after realizing that a haute cuisine restaurant wasn't working.

"It served cuisine fit for connoisseurs," he recalled. "But they're not connoisseurs in St. Paul."

Steven Crichton, food and beverage director at the Lansing, Mich., Hilton Inn, said that by intensive local advertising, he has been able to make weekend volume higher than midweek volume.

At the end of the third week in a 10-week trial, he reported Saturday liquor sales had tripled after a Happy Hour with a lavish spread was introduced. The weekend mix is 70-30, weighted to local clients.

Tableside salad service and a cart of vintage wines served by the glass, he said, has quadrupled wine sales in general. A $60,000 investment in a new entertainment center, he hopes, will make permanent customers out of his new-found weekend business. "Everything's been s successful," he beamed, "my competition is copying it."

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THE LODGING OUTLOOK

Analysts optimistic despite tough economy

(Continued from page 67)

recovery plan. Many large chains are eagerly mapping out ambitious expansion plans. The gaming industry is growing stronger and is having a highly favorable impact on the earnings of several large hotel corporations.

What kind of year has 1981 been? Corporate executives might talk about "the challenges" of a tough year; those who are less euphemistically inclined, though, would have to say it was disappointing.

Even though lodging sales continued their upward spiral of recent years and are expected to reach $27 billion for 1981, exclusive of gaming revenues, whether there is any real growth after the ravages of inflation will not be known until final figures for the year are tabulated.

Overall lodging sales are up, but room rates were hiked about 12% in most segments, to keep pace with skyrocketing operational costs of inflation.

Average occupancy rates for the year are running below 1980 levels. In the first seven months of 1981, average occupancy rates at hotels and motels were 69%, down more than two percentage points from the same period in 1980, according to Randall Smith, an industry research analyst for Laventhol & Horwath.

In the first five months of this year, sales per occupied room were up 11.4% from the year-earlier period but total hotel sales rose only 7.6%. The weak performance of hotels and motels so far this year comes on the heels of a rather poor 1980, when overall occupancy in the lodging industry was off 3.5%.

Smith noted that the drop in occupancy so far this year is less than it was in 1980, but he added that the effects of the air traffic controllers strike, which started in August, are not yet fully known.

"The August figures will begin to show the impact of the strike," he said. "For the entire year, occupancy rates will be off about 2%."

The controllers strike only added to the problems of the domestic airline industry, which in turn has had a weakening effect on the lodging industry. 1980 was one of the worst years in air travel history, with passenger travel down 4.7%; not much improvement has been noticed so far this year.

The strike at first had a severe effect on some hotels and motels and the American Hotel & Motel Association said that in the first few weeks the industry was losing about $25 million a day in sales. As the strike dragged on, though, business started picking up.

The economy overall has not been recovering as quickly as some thought it would. This year was supposed to show a gradual strengthening of the lodging industry, something that has not happened. And the same external factors which prevented a recovery this year are expected to work against the industry in 1982.

"We tend to think the outlook for the long term is good, but there are too many variables for 1982," Smith said, predicting that hotel business should be "pretty flat" for the first six months. "I can't foresee an increase in the occupancy rate for next year," he said. "But I don't think it will decrease, as it has for the last two years."

Pannell Kerr Foster, another firm tracking the lodging industry, earlier this year forecast "a recovery for occupancy rates in 1981 and positive growth in 1982."

The lodging industry is very sensitive to external factors, such as the general health of the economy. Hotels traditionally have been considered a good investment, but investments have been trailing off and are expected to continue doing so until interest rates decrease from the record-high levels.

New construction, according to Smith, "is one of the primary stimulators of hotel demand," but the construction industry has been depressed for a couple of years with little cause for optimism at least through the first half of next year.

Gasoline prices have cut traffic volume on the nation's highways by 1.3%

(Continued on page 71)

THE PROFIT POINT

(All Hotels and Motels)

Vital Statistics	Break-Even Point
Rate of Occupancy	58.3%
Revenue Per Available Room	$14,808

Source: *Laventhol & Horwath*

*WHO'S STAYING OVERNIGHT?**

Purpose of Trip	Percentage
Government Workers	5
Business Travelers	40
Pleasure Travelers	28
Conference Attendees	19
Family Business & Other	8

Average Length of Stay:

1978	2.4 days
1979	2.5 days
1980	2.5 days

Source: *American Hotel & Motel Association*

*All figures apply to hotels and motels with 100 or more rooms.

COMPARATIVE INDUSTRY PERFORMANCES

(800 Selected Properties*)

	1979	1980
Total Revenues (Billions)	$3.66	$4.03
Income Before Depreciation, Rent, Interest, Income Taxes	$936 million	$1.03 billion
Rate of Occupancy	72.8%	69.9%
Average Daily Rate Per Room	$39.26	$45.55
Average Daily Rate Per Guest	$26.43	$30.90
Per Cent of of Double Occupancy	48.5%	47.4%
Average Hotel Size (Rooms)	261	263
Total Revenues Per Available Rooms	—	$19,312
Income After Property Taxes Per Available Room	—	$4,941

Source: *Trends in the Hotel Industry* (Pannell Kerr Foster)

*The figures are for 800 selected hotel and motel properties tracked by Pannell Kerr Foster. Industrywide averages differ; for example, occupancy rates in 1980, according to the American Hotel & Motel Association, were 65.2%.

Full impact of air strike still unknown

NEW YORK—The impact of the air traffic controllers strike on hotel occupancy rates is not yet fully known, but hotel spokesmen and lodging industry analysts think the worst declines in occupancy were experienced in the first weeks of the strike.

Occupancy rates were off about seven percentage points at Hilton Hotels and substantially more than that during the first seven days of the strike, a spokesman said. Particularly hard hit were the company's properties in New York and Washington.

Holiday Inns, whose occupancy rates dropped to 70.6% in the first six months of this year compared to 72.4% in the same period in 1980, reported occupancy decreased between 2%-4% in the first three weeks of the strike, which began in August.

La Quinta Motor Inns has suffered little from the strike. Occupancy rates during the first two weeks of August were about half a percentage point higher than they were in the same period a year earlier. But the August increase was less than the increases in June and July when La Quinta's occupancy rose 3.8% and 2.4%, respectively.

In the first seven months of this year, average occupancy rates in the domestic lodging industry dropped to 69%, down two percentage points from the same period a year earlier. A lodging industry analyst said occupancy for the entire year should be off about 2% industrywide.

OCCUPANCY OFF IN FIRST HALF OF 1981

Cities	Average Room Rate 1981	Average Room Rate % Increase*	Average Occupancy 1981	Average Occupancy % Change*	Average Room Revenue % Change*
Atlanta	$45.35	12.3%	63.7%	− 4.4%	+ 6.9%
Boston	58.01	22.4	70.2	− 3.8	+17.0
Chicago	57.60	11.2	62.4	− 5.3	+ 4.7
Dallas/Fort Worth	55.05	9.0	65.5	− 9.2	− 1.5
Fort Lauderdale	61.91	15.9	74.8	− 6.4	+ 7.9
Houston	48.95	12.5	67.0	− 2.2	+ 9.4
Memphis	31.95	11.4	65.3	+ 3.0	+14.1
Miami	70.21	20.4	69.9	−14.8	+ 2.1
New York	66.81	12.6	71.3	− 8.1	+ 2.9
Orlando (Disney/ Kissimmee area)	43.15	5.4	74.0	− 6.8	− 2.3
Philadelphia	45.47	11.8	65.1	+ 0.2	+11.3
San Francisco	66.66	17.9	76.1	− 1.4	+15.6
Nationwide	$54.82	12.9%	69.4%	− 4.4%	+ 7.4%

Source: *Trends in the Hotel Industry* (Pannell Kerr Foster)

*Figures are averages based on reports from hotels with 273,000 rooms in 20 major cities for the first six months of 1981. Per cent change is a comparison to figures for the same period of 1980.

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THE LODGING OUTLOOK

Analysts remain optimistic

(Continued from page 70)

this year, according to the U.S. Travel Data Center, and coupled with the high cost of air travel, should continue to have a negative effect on hotel and motel business.

The rate of inflation—10% in 1980 and 11% so far this year—continues to erode American consumers' disposable income, and leisure travel as well as business travel has been cut back.

As if the economy did not cause enough headaches for the lodging industry in 1980 and 1981, a number of disasters has tarnished the image of the industry. Two major fires at luxury hotels in Las Vegas killed 92 persons, injured hundreds and caused millions of dollars worth of damage and lost revenues; a fire at a hotel conference center in New York State killed 26 businessmen; the collapse of a hotel atrium walkway in Kansas City killed 112 persons and injured scores more.

Foreign tourism, which helped boost lodging industry revenues in 1980 and early this year, fell off in late spring due to the strengthening of the American dollar on world monetary markets. The United States, once a big travel bargain for foreigners, quickly became more expensive.

More than 22 million persons visited the United States from abroad in 1980, spending $10 billion. From reports of hotel operators in several gateway cities, foreign tourism was off this summer.

Major lodging industry chains are expected to continue the rapid pace of expansion and the large-scale renovation programs that were evident in 1980 and 1981. If the prime rate drops to about 15% next year, as it is expected to do, investments in hotels will pick up, touching off more expansion.

Room rates, which have been rising steadily, will continue to go up as operators wrestle with the costs of operating established properties and building new ones. The trend toward foreign investment in the American lodging industry will accelerate.

One dramatic example of the state of the lodging industry is provided by *Trends in the Hotel Industry*, a publication of Pannell Kerr Foster. It reports that in 1980, 65% of hotels and motels showed decreases in the number of rooms sold; 65% showed decreases in the number of guests; 16% showed decreases in room revenues, 30% showed decreases in food revenues; 39% showed decreases in beverage revenues; 19% showed decreases in total revenues, and 36% showed decreases in income.

The hotel chains that have been faring the best in the last three years were those having a balanced mix of all three primary lodging industry customers—business travelers, meetings participants and leisure travelers.

The report noted that the hotel construction boom of 1980 was initiated several years ago when interest rates were lower. As long as long-term financing remains expensive, the number of such projects will decline, it said.

HOTEL INDUSTRY SEGMENTS AT A GLANCE*

Segment	Occupancy	Total Sales Per Room	Breakdown of Total Sales: Guestrooms	Food & Beverage	Other Revenues
Industry Medians	74%	$13,119	64%	30%	6%
Convention/Commercial Hotels	71	16,313	61	32	7
Resort Hotels	69	17,135	59	33	8
Roadside Hotels	68	9,783	66	29	5
Airport Hotels	78	13,114	67	28	5

Source: *Laventhol & Horwath*

*Figures are medians for the different types of hotels tracked by Laventhol & Horwath during 1980. The average occupancy rate for the lodging industry, according to the American Hotel & Motel Association, was 65.2% for 1980.

Chains outdraw independents by 5%-10%

Aggressive growth and general financial health characterize many leading United States hotel and motel chains. Many have been expanding primarily through franchise sales or by managing properties developed by others.

Most of the nation's leading chains enjoy an occupancy rate 5%-10% higher than the overall industry occupancy rate. More than 80% of their properties are franchised or members of a consortium. About 13% are company-owned, 3% are under management contract and 3% have other forms of operation.

These figures were reported by a hotel and motel trade publication in its 1981 report on the industry. A summary of what the selected leading hotel and motel chains did this year and what they plan to do in 1982 and beyond follows, based on reports by operators, industry analysts and investment bankers.

HOLIDAY INNS—With close to 1,800 hotels and 307,000 rooms in 59 countries, the Memphis-based company is by far the nation's largest hotel firm. Operating income for hotels in the second quarter was $50.5 million, up 5.9% over the same period last year.

Holiday Inns has raised room rates 11% this year in its domestic properties. The average occupancy rate chainwide in the second quarter was 68.1%, down from 69.5% a year earlier. For domestic properties, the occupancy rate was 74.3% compared to 74.7% a year earlier.

The room rate for Holiday Inns' American properties was up 12.5% in the first half of the year to an average of $39.48. The chain plans to continue its expansion pace of one new hotel about every five days. Though the company has been bullish about its recent incursion into the gaming industry, Michael Rose, chief executive, said Holiday Inns remains committed to hotel industry as its primary business.

MARRIOTT CORP.—Taking a different route toward expansion, Marriott has been involving itself in managing properties rather than owning them, although the diversified company does own and operate 20 large hotels.

The chain added 6,000 rooms and 16 properties this year and now owns, franchises or manages a total of 87 hotels with 35,652 rooms. The company has embarked on an ambitious expansion plan which will see growth of 20%-25% in each of the next five years.

Operating profits in the hotel group in the second quarter were 2.5%. Though revenues were up 26%, profit margins were "restrained" due to the cost of new openings and because the profits from the management contracts it holds for 23 Marriott hotels are less than they would be if the company owned those hotels.

Marriott's occupancy rates, which were about 80% in 1980, are off about 1% this year. Building an average Marriott hotel at a downtown site costs $100,000 or more per room.

RAMADA INNS—The company's debt piled up dramatically this year during its stumbling entry into the Atlantic City, N.J., gaming market. The chain's new hotel-casino there will wind up costing $330 million, close to three times as much as was figured when the project was launched three years ago. Ramada expects to lose $26 million this year.

In a move to expand its potential market, Ramada earlier this year said it would build 15 Ramada Renaissance hotels in major cities to compete in the luxury class. The company also has embarked on major renovation of older properties.

During 1980, the company's lineup decreased by 17 properties and 774 rooms. There are now 626 hotels and motels with 94,000 rooms in the chain. The majority are franchised properties. Ramada's average occupancy rate is about 66% with an average room rate of $36.

BEST WESTERN INTERNATIONAL—Best Western is not a chain but a nonprofit association of 1,781 members who own and operate 2,726 properties with 203,667 rooms. Average room rates are $45.

The company was struck a blow earlier this year when Robert C. Hazard Jr. and Gerald W. Petitt, the two top executives, and six other top company officials, resigned. Hazard and Petitt moved to a competitor, Quality Inns.

Best Western's new head is Ronald A. Evans, who said the growth that has characterized the chain in recent years will be halted in favor of a slower "targeted growth." In the association's first nine months, ended Aug. 31, gross room sales were up more than 31%.

The company has installed a new

(Continued on page 72)

TOP DOMESTIC LODGING CHAINS

Rank	Chain	Number of Properties	Number of Rooms
1.	Holiday Inns Inc.	1,757	306,312
2.	Best Western*	2,726	203,667
3.	Ramada Inns Inc.	626	93,992
4.	Sheraton Corp.	419	109,196
5.	Hilton Hotels Corp.	213	76,000
6.	Friendship Inns Int'l	928	64,000
7.	Howard Johnson	525	60,000
8.	Days Inns of America	316	44,517
9.	Quality Inns Int'l	368	41,557
10.	TraveLodge Int'l	553	40,729
11.	Marriott Corp.	87	35,652
12.	Motel 6	312	33,284
13.	Hyatt Hotels Corp.	61	33,000
14.	Best Value Inns/Superior Hotels	401	24,000
15.	Roadway Inns	153	18,548

Source: *Lodging Hospitality*

*Best Western International is a nonprofit association of 1,781 members.

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THE LODGING OUTLOOK

THE HIGH COST OF OPENING AND OPERATING HOTELS

Hotel Category	1981 Per-Room Opening Costs
Luxury	$67,000-$128,000
Standard	$38,400-$ 70,000
Economy	$20,600-$ 41,400
Expenses and Costs for Transient Hotels	**Per Cent Increase (1980 vs. 1979)**
Total Expenses	8.3%
Rooms Expenses	12.4%
Food and Beverage	6.3%
Payroll Costs	10.9%
Energy Costs	23.6%
Property Taxes	8.5%

Source: *Hospitality Valuation Services* (for per-room opening costs) and *Trends in the Hotel Industry* (Pannell Kerr Foster) for expenses and costs.

*Transient hotels are those properties catering to business travelers and convention groups, usually situated in metropolitan areas.

Chains outdraw independents

(Continued from page 71)

reservations system and is ready to start what it calls a tough new quality control program which has the approval of a majority of the members.

QUALITY INNS—With a new top management team, several of whom are defectors from Best Western, in place, the 355-unit chain has started an expansion program which will effectively split the company into three separate chains—the budget Comfort Inns, the midpriced Quality Inns and the higher-priced, upscale Quality Royales.

Other plans for the next three years include doubling the chain's size to 80,000 rooms; raiding franchisees from competing chains with offers of better service and higher occupancy rates, and instituting a quality control system.

The chain also plans to install a computer reservation system and will expand overseas as well as in the United States.

HYATT HOTELS—Hyatt Hotels Corp. is a privately held company separate from the publicly owned Hyatt International. Both are controlled by the Pritzker family of Chicago. Hyatt Hotels Corp. manages most of its 60 properties.

Many of the newer Hyatt hotels are in the high-priced luxury class and feature dramatic architecture, such as atrium lobbies, room rates which exceed $100 in some cities, and several food and beverage operations, usually include "gourmet" restaurants.

Hyatt is building several luxury properties in some major and secondary cities in this country this year and next. It recently completed a $400 million expansion program which brought eight new properties and 6,000 rooms into the system.

LA QUINTA MOTOR INNS INC.—Even though occupancy rates at La Quinta were down to 80.1% in fiscal 1981, ended May 31, from a high of 83.8% in 1980, the nation's 17th largest hotel/motel chain still enjoys one of the industry's highest occupancy rates.

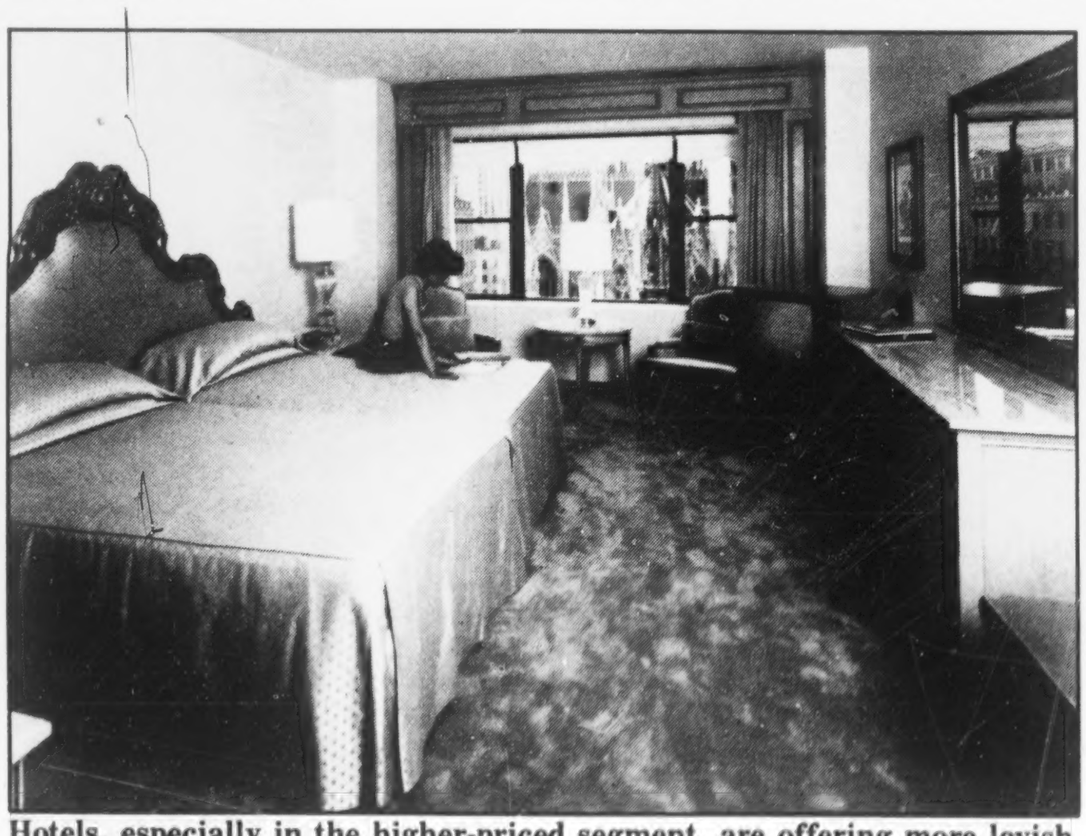
Last year, La Quinta had a net gain of 13 properties, bringing its total to 105 motels and 12,492 rooms. Most of the motels are company-owned, with only 14 franchised and two operated by the company under management contracts. La Quinta plans to add a dozen motor inns next year.

The company, whose total revenues increased 34% in fiscal 1981, reported a 3% increase in the occupancy rate last summer. Average room rate is $29.25.

THUNDERBIRD/RED LION—A regional chain with 43 company-owned properties and 8,211 rooms in Washington, Oregon, Montana, Nevada and California, Thunderbird/Red Lion enjoys a 77% average occupancy rate.

Thunderbird/Red Lion reported sales of $140 million in the last fiscal year and projects 1982 sales of $300 million. Many of the company's newer hotels are in the luxury segment, some with extensive food and beverage operations.

The chain has kicked off an expansion program to acquire and convert existing hotels and build new ones in California, Texas and other parts of the West and Southwest.



Hotels, especially in the higher-priced segment, are offering more lavish rooms and additional amenities along with higher room rates.

Hotels offering lavish extras to offset soaring room rates

DALLAS—Guests staying at the newly refurbished Adolphus Hotel here have a choice of three different types of soap (Spanish mango, French milled or clear organic) and find free terrycloth bathrobes in their rooms.

At the Jefferson Hotel in Washington, D.C., guests receive complimentary tins of English biscuits and free shoe shines—they just place their footwear in a bag outside their rooms at night and in the morning find the shoes polished.

Those checking into the new Sheraton Utama in Borneo can listen to taped music if they're not in the mood for television or radio. Each room comes with a refrigerator and mini-bar, too.

The Raphael Hotel in Chicago not only has refrigerators in its guest rooms, but stocks them daily with buckets of ice and imported sparkling mineral water.

The frequency with which these and other types of amenities are being offered to hotel guests is the most easily recognized trend in the lodging industry, apart from soaring room rates. In an effort to make overnight stays more pleasant and the prices of rooms more palatable, hotel operators are massaging their guests with special showerheads, wishing them a good night's rest with a note and foil-wrapped chocolates on their pillows and sending a morning paper up with their continental breakfasts.

And it's not just the luxury hotels which are offering these extras. The midpriced Holiday Inns chain, for one example, stocks bathroom closets with sewing kits, shampoo and soap and is considering installing free hair dryers in some of its properties.

This race to add amenities, a relatively new phenomenon, coincides with the rapidly escalating costs of opening and operating hotels, and the concurrent increases in average daily room rates.

The average room rate in domestic hotels increased 16% in 1980 and rose another 12.1% in the first half of this year, according to *Trends in the Hotel Industry*, the publication of Pannell Kerr Foster, an accounting firm. Transient hotels, those which cater to business travelers and convention groups, hiked their prices by an eye-opening 17.9% last year, the most of any segment in the industry.

The average room rate for hotels in 20 selected cities surveyed by *Trends* was $54.82 in the first six months of this year, a 12.9% increase over the same period in 1980. Boston and Miami hotels increased their prices the most in the first half, by 22.4% and 20.4%, respectively. The average hotel in Boston now costs $58.01 per night and the average room in Miami costs $70.21.

In New York, one of the more expensive lodging cities, room rates increased nearly 13% in the first six months. The average daily room rate citywide is $66.81, but the average room rate at transient hotels in midtown Manhattan is $75 with many luxury properties charging much more than that for an overnight visit.

The per-room cost of opening new hotels has gone way up in the last few years. In 1976, it cost between $43,000 and $80,500 per room to open a luxury hotel, according to Stephen Rushmore, president of Hospitality Valuation Services Inc. That range has increased to $67,000-$128,000 this year.

The startup costs are just the beginning. Overall expenses for operating transient hotels increased 8.3% in 1980, according to *Trends;* room expenses increased 12.4%, food and beverage expenses were up 6.3%, payroll costs jumped 10.9%, energy was up 23.6% and property taxes rose 8.5%.

These expenses were all factors in the decisions of hotel and motel operators to raise their room rates, and the higher room rates were in part responsible for the dropoff in occupancy last year and the occupancy decrease of 3.9% in the first six months of this year.

Partly to assuage customers who are growing more sensitive to increased room rates, many hotels have been spicing up their amenities.

Some examples of the extras offered by some top hotels: the Fairmont in New Orleans has electric shoe buffers in its guest rooms; the Adolphus, in addition to the terrycloth bathrobes and choice of soap, has decorated its rooms with custom-made Chippendale and Queen Anne-style furniture and has loaded its public spaces and hallways with hundreds of thousands of dollars worth of antiques and pieces of art.

At many downtown Marriott hotels guests receive free foil-wrapped chocolate mints on their pillows at night. Some hotels have installed high-intensity heat lamps for quick drying after a shower or bath. Executive suites at the Sheraton Northwoods Inn in Alberta, Canada, come equipped with Jacuzzis, which are also part of the package at the health spas in many hotels.

NRN FOCUS

THE LODGING OUTLOOK

Hotels step up investment in banquet facilities

While restaurants allow hotels to put their best foot forward, banquet catering still forms the backbone of many food and beverage departments. As one catering manager put it: "We're the ones that keep f&b out of hock."

With faith that businessmen will always need to gather face-to-face, many hotels are breaking into the banquet business by adding more function rooms. The ones that have banquet facilities are upgrading in the same way that they are upgrading the restaurants: lavish appointments and frills and attention to high-cost quality.

At the 600-room Opryland Hotel in Nashville, adjacent to the Opryland theme park, a $40 million expansion is planned that will add 400 rooms and increase banquet space by 150% with a 3,000-seat guest room, according to Manfred Moritz, food and beverage director. "I guess you could say we know which side our bread is buttered on," he said. "Ninety per cent of our business is convention business."

At the Boston Ritz-Carlton, John Carter, food and beverage director, said that banquet facilities have just been expanded from one function room by adding a 250-seat ballroom. In the same addition are 80 new guest rooms and, soon to be opened, 54 condominiums. The addition doubles the size of the Ritz-Carlton, he said.

At Hyatt, banquets are receiving new attention, according to Horst Schulze, vice president for food and beverage. "We were always heavy into banquets relative to other companies," he said, "but not heavy for us, compared to our restaurants."

"We're placing new emphasis on banquets and banquet sales," he said. At Dearborn, he said, banquet sales rose 32% from 1979 to 1980 by an aggressive solicitation program and "by making sure they were spectacular."

For example, The Dearborn Hyatt spent $40,000 last year on props for banquets. And they hired a decorator to design the tables and buffets. "We didn't leave it up to the waiters to set up the tables," Schulze said.

George Page, general manager at the 123-room Northampton, Mass., Hilton Inn, gets 25% of the hotel's revenue and about 10% of the profit from banquet sales. To win more group meetings, he recently started a sales department with two representatives on the road full-time. "It's probably the most important thing we do," he said. "But it's the reputation and quality of the food service in the restaurants that builds the rest of the business."

Midpriced, budget chains revamping food service

In order to keep pace with rising room rates—and the rising expectations of guests who pay them—budget and midpriced lodging chains are upscaling their food and beverage operations.

"The United States market is 70% midpriced," said Juergen Bartels, president of Ramada Inns' hospitality group. "Thirty to 40% of that is true midprice. Fifteen to 20% of that is upper midpriced and 15% to 20% of that is lower midpriced."

"We plan to be in the upper midpriced," he said, enunciating the upscaling strategy Ramada launched three years ago. A big part of that strategy is the new group of Rennaissance hotels Ramada is building.

Bartels asserted that the upgrading has worked. Food sales, he said, are up 12% this year over last, without menu price increases. And while the industry has registered stagnant or negative occupancy rates in the first nine months of this year, Ramada has registered a slight gain.

Eventually, no more than 5% of all Ramada Inns worldwide will be in the elite group where room rates are up to 15% higher than roadside Ramadas.

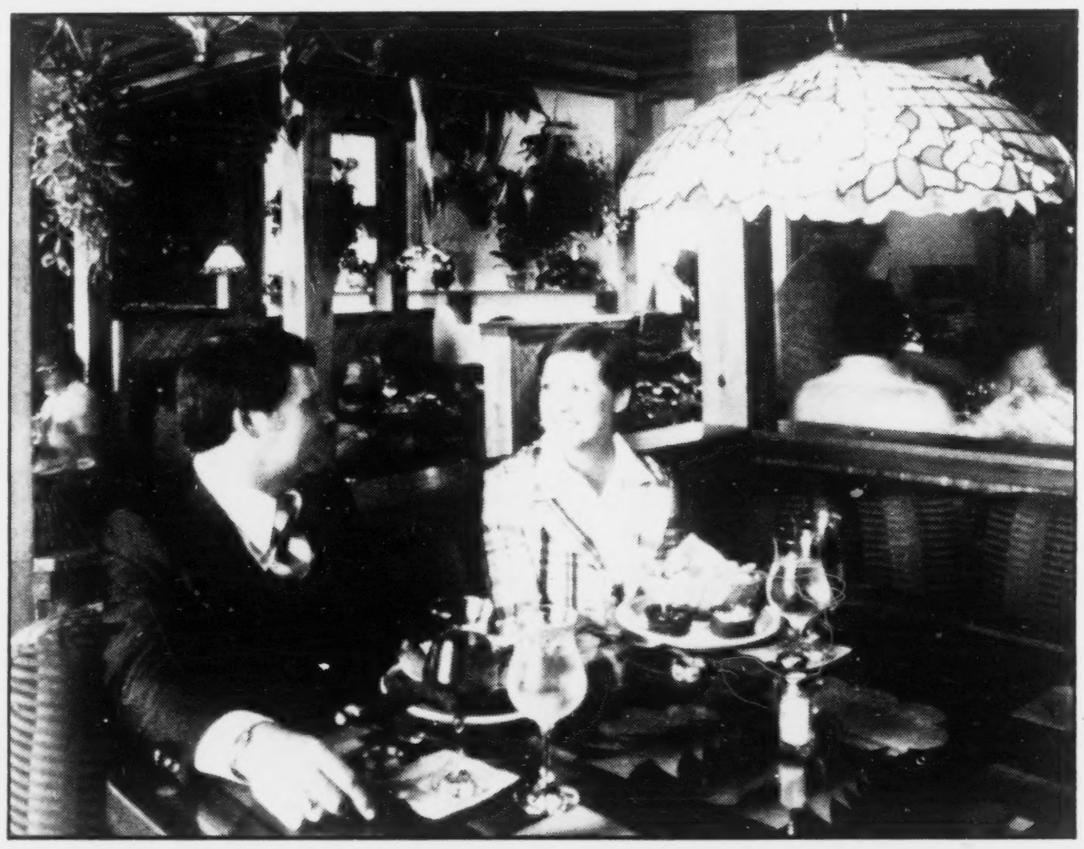
The first of 16 is open in Denver and food service is an important part of it.

The top two floors of the hotel are called the Rennaissance Club, where room rates are about 10% higher than the rest of the hotel. In the Rennaissance club, the top-paying guests are offered lavish breakfast buffets and, later in the day, an honor bar.

A 200-room addition is under construction at the 300-room Denver facility which will contain a gourmet restaurant. Summerfield's, Ramada's top-of-the-line restaurant, becomes second-class in a Rennaissance hotel.

"The Rennaissance hotels are the anchor that will pull up the whole image of the chain," Bartels declared.

Ramada may be the most visible indicator of the trend to move up market scale, but it does not stand alone.



Ramada Inns has modernized its food-service approach with new restaurant concepts like the upscale Summerfield's.

Econo-Travel Motor Hotels, a 137-unit chain, has announced plans to open three midsized, midrise hotels aimed at the midscale market. In moving from budget to midpriced, Econo-Travel, in a marked departure from its past formula, will build the hotels with a restaurant and lounge.

At TraveLodge International, the 500-plus-unit chain owned by the British conglomerate Trusthouse Forte, a new consciousness of food service is creeping in.

"We are becoming aware just now that a premiere dining establishment is important," said Dick Whaley, director of food service for TraveLodge. The chain remains highly decentralized, however. Whaley has a direct hand in only the 21 company-owned and -operated units.

(Continued on page 83)

HOW THE INDUSTRY PERFORMED IN 1980

(800 Selected Properties*)

	Showing Decreases (Number and Per cent)	Showing Increases (Number and Per cent)
Number of Rooms Sold	515 (65%)	279 (35%)
Number of Guests Accommodated	517 (65%)	277 (35%)
Rooms Revenue	128 (16%)	666 (84%)
Food Revenue	196 (30%)	463 (70%)
Beverage Revenue	244 (39%)	378 (61%)
Total Revenues	149 (19%)	645 (81%)
Income After Property Taxes and Insurance But Before Other Fixed Charges	289 (36%)	505 (64%)

Source: *Trends in the Hotel Industry* (Pannell Kerr Foster)

*In each category, data was unavailable for some properties.

Waldorf celebrates half century

NEW YORK—The Waldorf-Astoria, one of the most famous hotels in the world, marked its 50th anniversary last month with a star-studded celebration for several thousand guests, an event that attracted the attention of not only the media but President and Mrs. Reagan as well.

Barron Hilton, owner of the Waldorf, read a telegram from the Reagans after cutting the 21-ft. high cake prepared especially for the occasion. In their telegram, the Reagans noted the hotel has housed "a global who's who," including every president since Herbert Hoover.

As the Peter Duchin Orchestra played Cole Porter and Ira and George Gershwin tunes, the invited guests roamed about the decorated, bilevel Grand Ballroom, helping themselves to special dishes.

The buffet tables were stocked with dartois of pheasant, a dish originally prepared for actress Carol Channing; medallions of lobster, prepared especially for dancer Ginger Rogers; gin martini sherbet, a dish favored by Cole Porter, and other items.

The five-tiered cake was erected in the center of the ballroom. The yellow and white cake was frosted with more than 1,000 lb. of gold and white icing. On it were 50 gold-plated candles and a facsimile of the Waldorf, crafted from gold sugar crystals.

Formally dressed waiters poured about 10,000 bottles of private-label champagne in 24-carat gold-plated wine glasses which were embossed with the Waldorf insignia and the year 1931.

The 47-story Waldorf-Astoria faces Park Avenue in midtown Manhattan. The hotel has 1,852 rooms, including residential apartments. The hotel rooms range in price from $70 a night for a single to $1,900 a night for the presidential suite.

Among those attending the celebration were Ginger Rogers, who starred in the film "Weekend at the Waldorf" in 1945, and Jean MacArthur, the widow of General Douglas MacArthur.

NRN FOCUS

THE LODGING OUTLOOK

A new brand of Luxury hotel draws raves in the Bay area

By Donald Frazier

SAN FRANCISCO—The boom in small, luxury hotels specializing in personal service while shunning the tourist-and-convention trade has reached this city in the debut of the Pacific Park Plaza.

In the year since the 150-room hotel opened, it has drawn raves from patrons and hoteliers alike for combining a tasteful, Northern Italian-inspired design and a wealth of amenities, with prices lower than those charged by larger, less-posh hostelries nearby in the downtown area.

But its restaurant has attracted even more attention. Originally intended as a small, intimate dining room for the hotel's guests, Donatello has instead become a magnet for the carriage trade from the entire metropolitan area.

Does this cause the proprietor, A. Cal Rossi Jr., to worry that the restaurant will overshadow the hotel?

No.

As Rossi explains it, the relationship between hotel and restaurant is more complex than that. "Symbiotic," he says. Guests staying at the hotel will, he hopes, return to eat at the restaurant. Natives dining at the restaurant will discover the hotel, and tell their out-of-town friends about it.

This word-of-mouth marketing strategy is consistent with the identity Rossi wants the hotel and its restaurant to project. He wants the Pacific Plaza to cultivate a low and elegant profile, so it can be a home-away-from-home for executives of top corporations.

The identity was largely determined by Rossi's affection for 18th-century Northern Italian art and decor, his extensive travels to European hotels and the talents of designer Andrew Delfino.

The building near Union Square is filled with marble (four different types), cut glass (including the hand-blown recess panels and custom-made chandeliers), antique furniture (a different set in every room) and fresh flowers (changed twice a week, rotated with the seasons).

The 56-seat restaurant is also decorated in this style. It is divided into two rooms of different character—one, light and airy; the other, low-lit and formal.

Patrons are willing to pay for these plush surroundings. The average check—$40 for dinner, $26 for lunch—comprises entrees, priced between $13.50 and $17.50; pasta and appetizers, priced at around $6.50, and bottles of wine from 18-page list.

Rossi developed most of the menu himself, a reflection of his life-long enthusiasm for cooking. Heavily influenced by Northern Italian cuisine, it nonetheless differs slightly, the result of continual experimentation. Often Rossi minds the kitchen himself.

The popularity of the restaurant with locals has prompted special measures to ensure that hotel guests have a chance to dine there.

The letter confirming reservations includes an invitation to the restaurant; the telephone clerk asks out-of-towners if they'd like to try it, the reservations clerk asks again at the desk. If all else fails, the concierge will still try to find a way to squeeze the guests among the locals in the restaurant.

So far, these ideas seem to work—about 40% of Donatello's patrons are also guests of the hotel.

Cal Rossi, owner of the Pacific Park Plaza, drew many of his ideas for the hotel from his extensive travels throughout Europe.

Personal service at the hotel, Rossi says, is more than simply the one-to-one ratio of staffers to rooms, one of the highest in the industry. It is, among other things, butler service on the top two floors. It is a record-keeping system in which guests' preferences—cream in the coffee, onion in the martini—are noted and remembered for the next visit.

"We want everything we do here to be memorable, something special," Rossi says. "This is why the hotel and the restaurant can never be at odds. Each is independent, each is kin to the other.

"Each is a strand in the same fabric."

Cal Rossi: His elegant tastes are now available to the public

"Good taste takes a good purse," they used to say when Cal Rossi was growing up in Central California's San Joaquin Valley.

The young man heeded this advice. He made his bundle quickly, harnassing a farsighted vision of the state's growth to tenacity and acumen in real estate and development.

His fortune made by the time he was in his late 20's, Rossi finally had the means to enter the hospitality trade in style. He bought the then-dilapidated Stanford Court in 1961 and created a world-renowned luxury hotel—eventually giving himself a reputation as a hotelier of taste as well as a real estate developer of means.

Now, his new 140-room Pacific Park Plaza hotel expresses his love for Italian art while its Donatello restaurant displays his love of Northern Italian cuisine—tastes he had nurtured during years of planning subdivisions.

He admits that the small hotel—a converted motor lodge near San Francisco's Union Square—may be less profitable than a large chain hotel on the same site. He also admits that the process of building up a word-of-mouth clientele takes time and tenacity.

But tenacity is what put him in position to embark on a project like the Pacific Park Plaza in the first place.

As a high school student, he negotiated his first real estate deal—with his parents. During the next several years, he assembled a shopping center complex on 25 excess acres of family farmland. By the time it was built a dozen years later, Rossi had a national award-winning restaurant, a degree in economics and another from the school of Hard Knocks.

From then on, it was relatively easy. Rossi found a new chance to put his concern for food to use as a food and beverage director for the restaurant of the Mark Hopkins Hotel in 1961.

This led to the Stanford Court. The hotel worked, but a partnership involvement didn't. Rossi sold out in 1972, and began casting about for other deals. His cooking was confined to a kitchen that adjoins his office. His next restaurant, he decided would be Italian.

When the chance came, Rossi grabbed the old motor lodge in a part of downtown San Francisco that was coming to life. Although he didn't know exactly what he wanted to do with it, he was impressed with the possibilities of the sturdy high-ceilinged building, the continuing economic boom of the Bay area and the sophistication of its restaurant-goers.

He also noticed that more and more upper-crust travelers in the United States were growing weary of cattle-pen large convention hotels and yearned for smaller hostelries similar in concept to those they had patronized in Europe.

His own travels in Europe helped Rossi decide what kind of a hotel he wanted his new property to be.

It would be filled with art—not gallery display art, but the kind of artful decor and furnishings which surrounds guests at fine European hotels. It would provide detailed service, from fresh terry-cloth bathrobes to laundry packed in fresh linen. And it would have a fine restaurant on premises.

He and designer Andrew Delfino combed Europe, searching for the right antiques, tapestries and fixtures to use in the new hotel and restaurant.

More important, they were looking for ideas. The sense of elegance he wanted to achieve, Rossi knew, was not in antiques or materials, but in an understanding of how they could be put together.

In the end, the project took more than a year and $14 million.

But Cal Rossi has still more plans in his briefcase. He is working on a $80 million, 3,000 acre resort northeast of San Diego, 545 condominiums in central California for $20 million, a $40 million development on Nob Hill, and a $20 million project on Telegraph Hill.

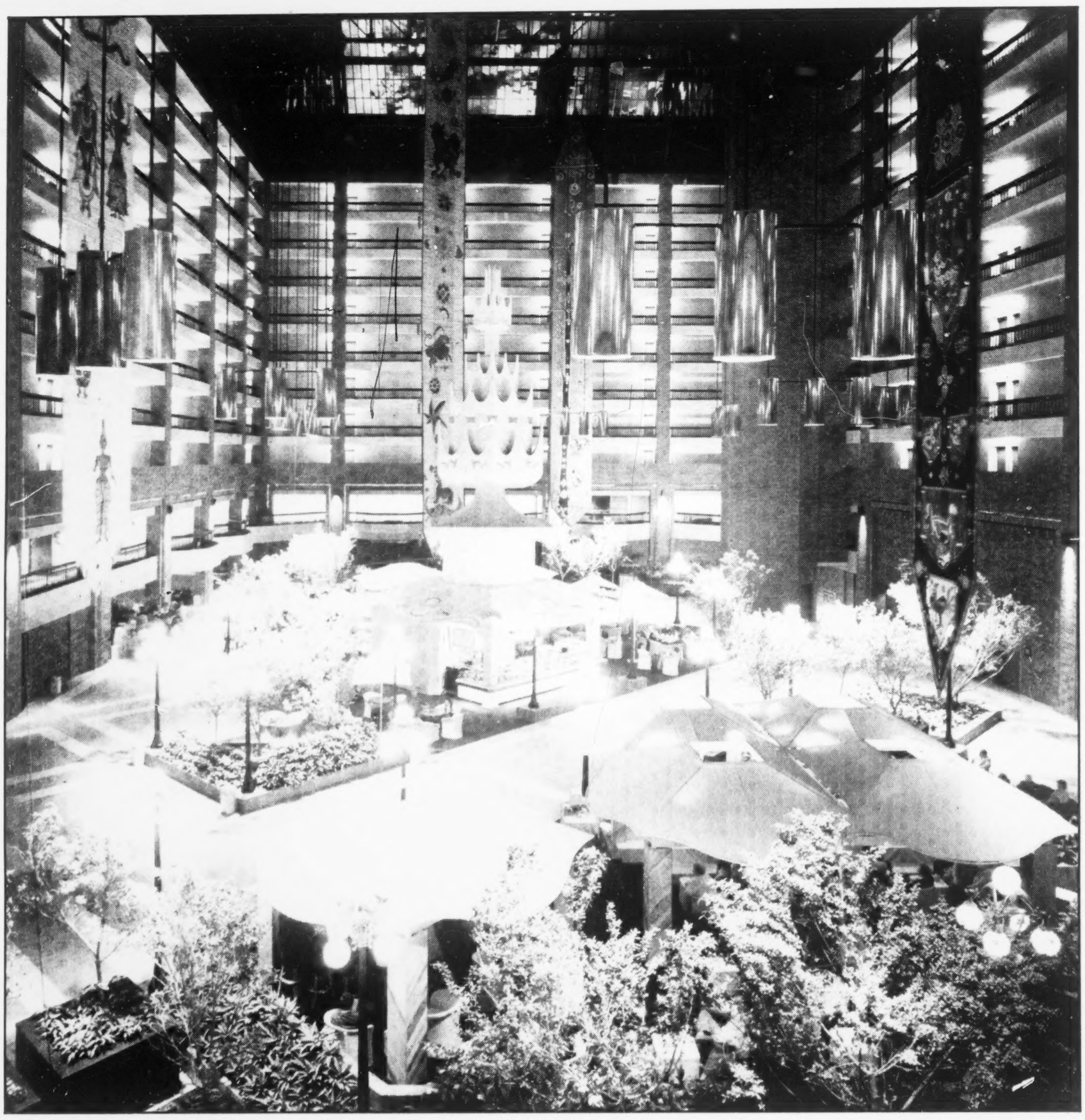
He is also planning a $35 million resort in Monterey, in a partnership with restaurateur Ted Balestreri. The resort, which should be complete by 1983, he envisions as "one of the grand resort hotels."

He hasn't said, but these projects too will likely involve restaurants.

NRN FOCUS

THE LODGING OUTLOOK

Hotel boom continues in Dallas



The magnificent atrium lobby at the Loew's Anatole in Dallas typifies the city's trend toward luxurious hotels.

DALLAS—More than 5,300 new rooms will be added to this city's inventory of 26,670 hotel rooms with the openings next year of a large number of major hotels, most of them in the high-priced segment. The new hotels will solidify Dallas' position as one of the premier American convention cities.

Hotels under construction and expected to begin receiving guests in 1982 include the Lincoln Radisson, Mandalay-Four Seasons, Market Center Ramada Royale, Marriott VFW Freeport, Marriott Quorum, Registry Hotel, Quorum North, Sheraton Inn, Sheraton Park Central, Dallas Galleria, Holiday Inns Brook Hollow and the Richardson Hilton.

These join a growing list of major luxury hotels which have opened in Dallas in the last few years, among them Loew's Anatole, Plaza of the Americas, the Mansion on Turtle Creek, and the Adolphus Hotel, which had been closed for 18 months until this September for refurbishing.

The 5,343 new rooms opening next year will swell the city's hotel room inventory to more than 32,000, according to the Dallas Chamber of Commerce. By comparison, there were 24,899 rooms at the end of 1980 and 23,121 at the end of 1978.

Dallas has been one of the main beneficiaries of the great migration of Americans to Sunbelt cities during the late 1970's and early 1980's. The city is now ranked eighth in population among major metropolitan centers, according to the U.S. Department of Commerce. There are more than three million persons living in the Dallas-Fort Worth Metropolitan Area, up nearly 25% since 1970.

For the hospitality industry, the outlook is generally favorable. The Chamber, for example, expects annual spending by conventioneers alone to top $190 million by 1985.

The brisk pace of hotel openings has softened business so far this year, however. Hotels in the Dallas-Fort Worth market reported a 9.2% drop in occupancy in the first six months of this year, more than double the average for major American cities.

Not only that, but Dallas-Fort Worth was one of the few markets where the drop in occupancy was not offset by increased room revenues. Hotels in the market reported that average room revenues dropped 1.5% in the first six months of the year, according to Pannell Kerr Forster, an accounting firm which tracks the lodging industry.

An average hotel room in Dallas now costs $55.05 a night, compared to $50.50 in the first six months of 1980. This is slightly higher than the average rate in American cities ($54.82). Overall hotel occupancy in major American cities was off 4.4% in the first half of this year.

Adolphus touts new food-service programs

DALLAS—Food service is playing an important marketing and promotional role at the newly refurbished Adolphus, the 70-year-old landmark hotel which started receiving guests in mid-September following an 18-month-long, $45 million renovation and remodeling project.

At official reopening ceremonies later this month, the battery of chefs which has been assembled to run the hotel's three restaurants and round-the-clock room service will be introduced to the city. In fact, "the ceremonies will be built around food service," a spokesman for the hotel said.

The Adolphus' restaurant personnel is an obvious source of pride for the hotel's owners, Westgroup Inc. and New England Mutual Life Insurance Co., and Amfac Hotels & Resorts, the company which has the management contract to operate the Adolphus.

Jean Banchet, the world-renowned chef and owner of Le Francais in Wheeling, Ill., has been retained as a consultant for the hotel's elegant French Room. Roland Passot, the French Room chef, was trained by Banchet for four years at Le Francais. Francois Soyez, the hotel's executive chef, has years of experience at hotels, resorts and clubs in France, England, Bermuda, Canada and in this country.

To further illustrate its commitment to food service, the Adolphus has hired Louis A. Laulhere as resident hotel manager. Laulhere has a food-service background, having received training at European hotels and restaurants. Until earlier this year, he was managing director of the private restaurant-club at the Citicorp Center in New York.

In addition to the French Room, which serves classical and nouvelle French cuisine, the Adolphus has two

(Continued on page 84)

Midpriced, budget chains revamping

(Continued from page 74)

Overseeing another decentralized chain is Tom Ellison, who was named to the newly created position of food and beverage manager at Best Western.

Ellison is in charge of B-W Supply, the nonprofit corporation's distributor of logo items. His job is to expand the supply division into providing equipment and supplies for restaurant operations among the members. "Basically," he said, "it's a one-stop shopping system."

Seventy per cent of Best Western properties have restaurants on-site. Of about 2,800 units, 1,200 are aboard the new program, according to Wendy Black, a spokesman.

Ellison said the decision to expand support for food service was made two years ago. At that time, he said, many members were buying nonlogo items from a Holiday Inns subsidiary which no longer exists. Directors also wanted to expand the base of the group's membership by providing more services and, finally, members themselves were seeking more centralized support.

Ellison indicated that the directors, if pleased by response to the expanded support services, may move toward establishing standards of food service akin to currently existing room standards. That is a far way off, Ellison admitted, but the first step has been taken.

NRN FOCUS

THE LODGING OUTLOOK

Renovated Adolphus touts new food-service programs

(Continued from page 83)

other restaurants: the Grille, a continental-style restaurant which doubles as a coffee shop, and the Palm Bar, a cocktail lounge with a limited luncheon menu.

Since the reopening in September, the three restaurants have been averaging about $12,000 a day in sales, according to Laulhere. Word-of-mouth about the restaurants, and especially the French Room, has been strong among Dallas-area gourmands, according to Betty Holloway, advertising and promotions manager. She reports it takes as long as three weeks to get a dinner reservation for the French Room.

Like the rest of the Adolphus, the French Room is filled with antiques and objects of art that, according to one designer, "cost a fortune." The formal, 78-seat restaurant has a vaulted ceiling, sculpted columns, ornate moldings and frescoes.

A roccoco mural covers the ceiling. A large, 19th century English mantel and over-mantel adorn the black marbel fireplace in the restaurant's bar. The fireplace itself is mahogany Chippendale refinished in antique red and carved with scenes of China. Among the paintings is a 19th century portrait of Napolean Bonaparte.

The maitre d' uses an 1880 Louis XV architect's table for his reservations book. Two massive, hand-blown, colored-crystal chandeliers hang in the French Room; they were made for the Adolphus in Murano, Italy.

The French Room, according to Laulhere, has nightly sales of about $6,000. Appetizers range in price from $7.50 for a terrine of fresh vegetables with coulis of tomatoes to $50 for an ounce of Beluga caviar.

Entrees include steamed salmon with pink and green peppercorns for $19.50 and roasted lobster with thyme and caviar sauce for $32.50.

The Grille, considered the main public restaurant at the Adolphus, serves three meals. Decorated like a London club, it has seating in private booths and high-back English wing chairs. Special paneling, fabrics, carpeting and period pieces of art contribute to the club-like atmosphere.

While the Grille is considered a continental restaurant, it offers salads and sandwiches in addition to its full-course dinners because the hotel doesn't have a coffee shop, Laulhere said. Average per-person check is $8.50 for lunch and $12.50 for dinner; daily sales are about $2,500.

The Palm Bar is a 120-seat restaurant which serves cocktails and lunch. The best-selling menu item at the Palm Bar, which serves about 300 lunches daily, is a croissant sandwich, which accounts for about 53% of total food sales, Laulhere said.

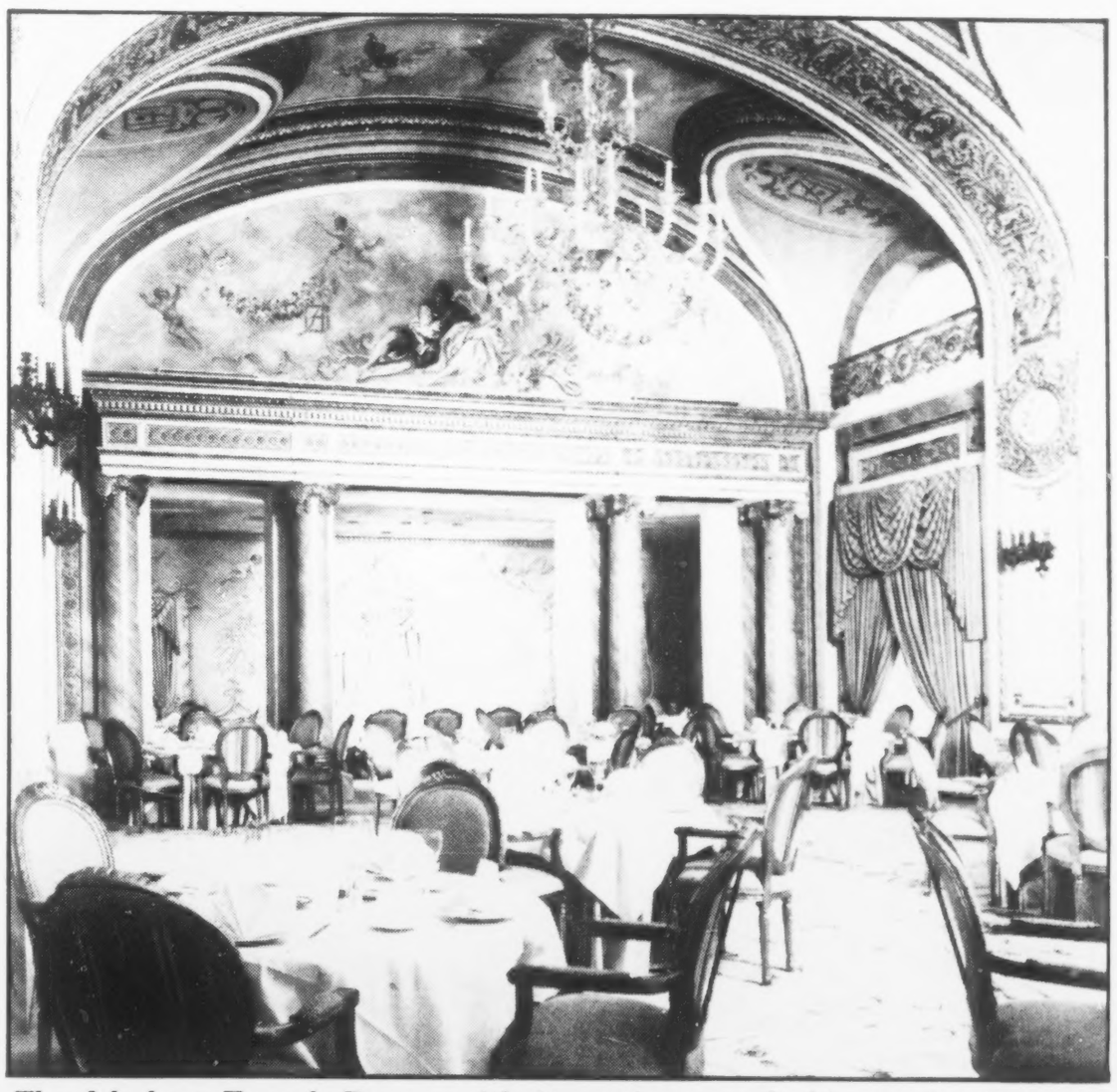
In addition to the croissant sandwiches, which come with a variety of fillings including roast beef, ham, corned beef and chicken salad and sell for $4.25—the Palm Bar has steamed fish, steamed shrimp with melted tarragon butter, onion soup and steamed little neck clams with broth.

Beverage sales account for about 30% of total sales at the hotel's three restaurants, Laulhere said.

Throughout its history, the Adolphus has managed to stir observers to utter words of praise which sound close to hyperbole. In 1912, shortly after it first opened, the hotel attracted the attention of the American Institute of Architects whose members were so enthralled by its gingerbread tower and other affects that they proclaimed it "the most beautiful building west of Venice."

One designer recently said the Adolphus "is a magnificently eccentric, one-of-a-kind hotel. There is nothing like it anywhere in America and in few places in the world."

The new owners of the 21-story, baroque-style hotel, built by St. Louis beer baron Adolphus Busch as a token of esteem for the city he considered his second home, were intent on restoring the Adolphus to its former grandeur when they closed it almost two years ago for the extensive refurbishing.



The fabulous French Room, with its antiques and objects of art, is the showcase restaurant of the newly renovated Adolphus hotel.

Outside, workmen cleaned and restored the tower and the facade of the original building and resurfaced the newer additions with tan plaster panels.

Inside, the 437-room hotel has undergone a complete renovation. Each floor has a different selection of artwork on the hallway walls and parlor arrangements near the elevators. Guest rooms were enlarged during the project and are furnished with custom-made Chippendale and Queen Anne styles. The Axminister carpeting was imported from England.

The rooms are soundproofed and have individual controls for heating and air-conditioning. Amenities include terrycloth robes, three different types of soap, waste baskets covered in fabrics which match the draperies and spreads and lacquered wood ice buckets and trays.

Among the antiques and pieces of art are intricately carved English Regency oak tables and two large 1661 Brussels tapestries. The tapestries were made in a series of six.

The hotel is filled with unusual lamps, candelabras, clocks and tapestries from Europe, the United States and the Orient.

A bronze Dore crystal chandelier, made in France around 1850, and acquired from the Nantes, France, estate of Pierre Poenot, is in the registration lobby.

The Adolphus Hotel is managed by John B. Kirk, formerly the general manager of the Hyatt Regency in Phoenix.

Stephen Peeck

Sheraton challenges the independents

BOSTON—One of the leaders in establishing hotel restaurants competitively with independent restaurants is Sheraton.

"We're positioning restaurants almost as if they were freestanding," said Stephen Peeck, food and beverage vice president for the North American division.

"It has an impact on our occupancy levels and particularly on our group business market," he said. "And it supports our rate structure."

Sheraton's program revolves around what it calls "signature" restaurants, facilities that are tailored to local tastes and marketed independently. Nineteen are now in operation four years after the strategy was launched.

"Most major hotels are in a market that requires a market restaurant," Peeck explained. "To answer that need, we create an individual restaurant with unique cuisine, service and a name."

"We tell the chefs, as we did when we were putting in Americus in the Sheraton Washington, 'This is your basic concept.' At Americus it was American cuisine. 'Here's your point of departure. Remember your continental training, but let's create a cuisine indigenous to the United States.'"

"If you're going to hire a top talent chef," he said, "you want to tap that talent."

One of the more celebrated "signature" restaurants is Apley's, named after a local fictional character, at the Sheraton Boston. Its design features art works from the local historical society and local dishes offered in a number of combinations.

When Peeck let his chef be creative at the Minneapolis Sheraton Ritz, he came up with a meat-stuffed strudel as a main course.

"Signature" restaurants work where one might not expect them to. For instance, Josephine's in the Sheraton Anchorage, where Northern Italian fare is offered, "there's a line outside the door for lunch," Peeck said.

The "signature" restaurants are slowly edging out the chain's Falstaff rooms and Cheshire Cheese restaurants, an old English style, which Peeck now considers dark and gloomy.

By upgrading top-market restaurants, Peeck can immediately realize a better profit margin. Check averages, he said, have been boosted up to 30% in some units and covers increased by up to 60%. "We're obviously scoring some local success," he said.

NRN FOCUS

THE LODGING OUTLOOK

Chains find odds are good for hotel-casinos

Are casinos worth all the regulatory, financial and operations difficulties they sometimes cause for hotel companies? Consider:

- Hotel-casinos accounted for 41% of the 1980 pretax income for Hilton Hotels Corp. From 1971 to 1980, income from the company's two hotel-casinos increased fivefold.
- Holiday Inns, the nation's largest hotel company, expects that by 1985 more than 25% of its hospitality earnings will come from its casinos. Some analysts believe the estimate is too conservative and set the figure at 35%. Holiday Inns entered the gaming industry last year.
- Casinos were the largest contributor to 1980 corporate earnings of Playboy Enterprises Inc., generating $100.6 million in revenues. More than half the Del Webb Corp.'s total revenues come from gaming operations. Casino revenues account for 19.5% of Ramada Inns' revenues.

Casinos in hotels now account for nearly 10% of total lodging industry sales despite a softening of the domestic gaming market in 1980 and early 1981. That figure becomes even more impressive when it is realized that only two states, Nevada and New Jersey, permit casino gambling.

Total gaming sales in hotel-casinos are expected to reach $2.6 billion this year, according to the American Hotel & Motel Association and the U.S. Department of Commerce, compared to $2.1 billion last year and $1.5 billion in 1979.

Total lodging industry sales, according to the association, were $22.3 billion in 1979 and $23.8 billion in 1980 and are expected to reach $27 billion this year. If the second half of 1981 is as strong as industry experts believe it is, the projections will be on the low end of the scale.

The gaming industry in the United States is on the move. For years confined to Nevada, it has spread to Atlantic City, N.J. Based on its success there, several other states, including New York, Florida, Massachusetts, and Connecticut are studying the feasibility of legalizing casino gambling.

Atlantic City

Increased casino sales are due in part to the industry's rapid growth in Atlantic City. Resorts International, the city's first hotel-casino, opened in May 1978, but the seaside resort town now has eight gambling palaces and plans to add a ninth, Ramada Inns' Tropicana, before the end of the year.

Hotel chain executives, industry trade groups and gaming industry analysts forecast continued improvements in the domestic gaming industry in the next few years, even though they are mindful of what a recession or outside factors such as gas shortages can mean for business.

These same experts are aware, too, of consumer sensitivity to higher prices for lodging and travel, the regulatory difficulties encountered by some hotel companies in New Jersey and the problems many firms have securing financing for construction and expansion projects. But they feel gaming is more insulated than other industries from the problems related to the nation's economy.

In Las Vegas business was off for all casinos in first half of 1981, but is expected to be up for the year.

"The future of Atlantic City is as bright as a beach on a sunny day," one analyst said earlier this year. Similar enthusiastic remarks are heard from industry experts in Las Vegas, where the gaming industry is showing signs of bouncing back from a softening of business in 1980 and early 1981.

The total gaming take in Atlantic City reached $634 million last year, when only three casinos were operating for the full 12 months, and are expected to reach $1 billion this year. Gaming revenues in Las Vegas reached $1.6 billion in 1980, compared to $1.4 billion the year before.

In the first major report on the domestic gaming industry, Laventhol & Horwath, the accounting firm, studied the 1980 operating results of 15 major corporations with a stake in United States' gaming industry. Casino operations revenues for these publicly owned corporations topped $2.5 billion last year, the report said.

Net income for those companies exceeded $380 million, up from $343 million in 1979, and total revenues were $5.1 billion, compared to $3.9 billion the year before.

The firms included in the study operate a total of 30 hotel-casinos in Nevada, Atlantic City and The Bahamas, as well as a casino and betting parlors in Britain. Some of those companies also operate businesses unrelated to gaming and the results from those operations were included in the net income and total revenue figures.

Income from operations for the 15 companies, which represent all income before Federal taxes and nonrecurring expenses, reached more than $620 million in 1980, compared to $594 million the year before.

In Las Vegas, tourism suffered in the first five months of the year, continuing the weak performance that was noticed through most of 1980. Starting in May, however, tourism picked up considerably.

Overall occupancy rates at all motels and hotels in Las Vegas were 77.8% in the first six months of this year, down slightly from the 79% occupancy rate in the same period in 1980. Occupancy rates for the whole year in 1980 were 77.2%, compared to 80.9% in 1979.

"You might draw the conclusion that the average occupancy rate is down, but I wouldn't," Len Krick of Laventhol & Horwath said, explaining that if motels, which are not the first choice of most visitors to Las Vegas, are not counted, occupancy rates are "way above" the national average for resort hotels.

The lodging industry in Las Vegas, he explained, is also benefiting from the number of large conventions booked into the city for the second half of this year. Several major hotels have stepped up promotional activities since July and the Leonard-Hearns championship fight, the Grand Prix and other special events are expected to boost occupancy rates during the second half of the year, he said.

There are more than 60 casinos in Las Vegas, 10 more than there were in 1979. For the first half of this year, gaming revenues totaled $832 million.

Nearly 12 million persons visited Las Vegas in 1980, compared to 11.7 million in 1979. Through July of this year, 5.9 million persons visited the city.

Industry observers in Atlantic City remain optimistic about the future even though consumers have not been convinced that the town is a year-round resort. Last December, most casinos reported losses and several operators closed off blocks of

(Continued on page 88)

LAS VEGAS AT A GLANCE

	1979	1980	Jan.-June 1981
Number of Casinos	50	60	60
Number of Hotel Rooms*	27,458	28,058	29,596
Number of Motel Rooms	17,737	17,987	18,287
Combined Occupancy Rates	80.9%	77.2%	77.8%
Total Gaming Revenues	$1.4 billion	$1.6 billion	$832.1 million

Source: *Laventhol & Horwath; Las Vegas Convention and Visitors Authority*

*Hundreds of hotel rooms were not available for several months of 1981 due to major fires at the MGM Grand and the Hilton in late 1980 and early 1981.

NRN FOCUS

THE LODGING OUTLOOK

Some Atlantic City casinos have bad luck . . .

Planning, opening and operating hotel-casinos in Atlantic City, N.J., are not the easiest tasks in the world, as top executives from hospitality companies will attest.

Among the companies that have had serious difficulties at the New Jersey resort town are Ramada Inns, Caesars World and the Del Webb Corp. Here are summaries of their problems to date.

RAMADA INNS—The Tropicana, Ramada Inns' second hotel-casino, was supposed to cost $139 million. The final figure will be $330 million. Construction delays and cost overruns have plagued the project. The Tropicana was scheduled to open early in the summer; then opening day was scheduled for August. The hotel-casino must open before Dec. 31 to meet the filing deadline for a temporary state casino permit.

Ramada Inns, whose chairman, M. William Isbell, son of the company's founder, resigned as chairman and president this summer, refinanced the project on Sept. 9. Richard Snell, the new chairman, said the move would cost the company money now but improve its chances for future profits. Ramada has borrowed $200 million for the Tropicana.

Snell said Ramada Inns will report a 1981 loss of $26 million.

As Ramada Inns wrestles with its problems, it is awaiting the report of the New Jersey Division of Gaming Enforcement. In making its recommendation to the state Casino Control Commission on licensing, the division will take into account the company's problems in the preopening phase, a division spokesman said.

The division also is checking Ramada Inns' operating efficiencies at the Tropicana in Las Vegas where authorities are investigating reports of millions of dollars in thefts by employees and outsiders.

CAESARS WORLD—Caesars World has made tentative plans to sell most of its interest in the Boardwalk Regency hotel-casino. The company would retain control but there are reports that Caesars may abandon Atlantic City altogether.

The state has ordered Caesars to dismiss Clifford S. Perlman, the chairman, and Stuart Z. Perlman, the vice chairman, or sell the Boardwalk Regency. The commission charged the Perlmans with having ties to associates of Meyer Lansky, a reputed organized crime figure.

Caesars and the Perlmans have denied the charges and have appealed the commission's ruling to the State Supreme Court. Caesars board already has decided to offer to exchange 12.7 million shares of Caesars World's 13.7 million shares of Caesars of New Jersey Inc., the subsidiary that operates the Boardwalk Regency, for publicly held shares in the parent company.

DEL E. WEBB CORP.—The company and one of its executives have been charged with missappropriating client funds on a 1976 construction project in Nevada. A triai is expected before the end of the year.

Those charges led the New Jersey Casino Control Commission to refuse to issue a temporary casino operating permit to the Claridge hotel-casino until Webb relinquished its 50% controlling interest. Webb's investment in the hotel-casino—$26 million in equity and $63 million in loans made by Webb to the Claridge Management Corp.—has been turned over to an independent trustee pending the outcome of the criminal trial in Nevada.

The temporary permit was finally issued after Webb backed out of the Claridge, at least temporarily, by selling its partnership interest in the project to Claridge Management Corp. No money has changed hands yet. If Webb's legal difficulties are resolved to the satisfaction of the state, the company will be able to reacquire its partnership interest by relieving Claridge Management of its purchase price indebtedness.

. . . but others keep playing despite the risks

A number of major construction and expansion projects have started or will start in the near future in Atlantic City. They include:

- Resorts International is building a 1,500-room hotel and convention center on the Boardwalk. It will be linked to the main Resorts hotel-casino. It is scheduled for late 1982 completion. Resorts, which expanded its casino last November, also plans to build another hotel-casino with 1,000 guest rooms as part of its $2.5 billion, 54-acre development which will include a hotel exhibit center, housing and a retail and office complex.
- Caesars Boardwalk Regency plans a $100 million expansion project which will add a 500-room tower and additional casino and convention space. The project has been delayed.
- Caesars World has won preliminary approval for its Caesars Palace hotel-casino project.
- Bally's Park Place has expanded its convention space once and plans to add another 12,000 sq. ft.
- Construction will start soon on the Trump Plaza hotel-casino adjacent to Convention Hall. The hotel will have 500 rooms.
- A 1,000-room Camelot hotel-casino is planned at the Marina, a development project 17 blocks from the Boardwalk. Holiday Inns' Harrah's hotel casino opened at the Marina a year ago. Hilton and MGM Grand have postponed their own projects at the Marina.
- The Sands hotel-casino, owned by Inns of the Americas Inc., is slated for refurbishing and expansion.
- Ramada Inns' $300 million Tropicana, with six restaurants and large convention space, is expected to open before the end of the year.

The development of properties by Penthouse, Benihana and The Dunes have been delayed, according to the Convention and Visitors Bureau.

Summer action was heavy at Atlantic City casinos, including Resorts International (shown here).

For your information

DID YOU KNOW . . .

- 78% of all domestic lodging establishments had 50 rooms or less in 1980.
- 1.4% of all domestic lodging establishments have 300 or more rooms; they contribute 16% of the total number of rooms in the lodging industry.
- The top 25 hotel and motel chains operated 8,683 properties in 1980, a 12% increase over 1979.
- The average hotel in the United States has 128 rooms.
- Business travelers, meetings participants and Government officials accounted for 65% of all hotel guests in 1980.
- Business travel and convention business generate the bulk of all hotel earnings.
- Food and beverage revenues increased 5.9% in 1980. As a per cent of total lodging industry revenues, food and beverage revenues were 33.3%, down 1.2% from 1979. Expenses associated with food and beverage operations increased 6.1%.
- 36% of all lodging establishments posted decreases in income in 1980.

NRN FOCUS

THE LODGING OUTLOOK

HOW THE TOP CASINO OPERATORS ARE DOING

Operator (Number of Casinos and Hotel Casinos)	Gaming Operations Revenues 1980 (Millions)	Per Cent of Total Revenues
Bally's Park Place (1)	$208.3	100.0
Caesars (3)	441.7	85.2
Dunes (1)	100.8	85.3
Elsinore (2)	53.2	87.8
Greate Bay (1)	33.5	100.0
Golden Nugget (2)	52.0	90.6
Hilton Hotels (2)	251.6	43.7
Holiday Inns (4)*	201.1	13.1
MGM Grand (2)	307.1	100.0
Playboy**	100.6	27.7
Ramada Inns (1)	75.4	19.5
Resorts International (4)	342.5	91.4
Scott Corp. (1)	51.6	100.0
Showboat (1)	32.5	100.0
Del Webb (5)	254.3	52.3

Source: *Laventhol & Horwath*

*Holiday Inns acquired Harrah's Feb. 28, 1980; Harrah's Marina in Atlantic City opened in late November that year.

**Includes casinos and betting shops in Britain.

ANNUAL SALES AT CASINOS IN HOTELS

	1978	1979	1980	1981**
Gaming Sales (Billions)*	$ 1.2	$ 1.5	$ 2.1	$ 2.6
Total Lodging Sales (Billions)	19.2	22.3	23.8	27.0

Source: *American Hotel & Motel Association: U.S. Department of Commerce*

*Figures represent gaming operations sales only in hotels

**Projections

Chain executives are betting hotel-casinos will hit jackpot

(Continued from page 85)

rooms and shut their restaurants.

Convention business, even though it has increased since the advent of casino gambling, has not reached its potential because of the critical shortage of hotel rooms in Atlantic City. The tough state commission regulating the young gaming industry has forced several major companies to cancel or postpone their development plans.

High interest rates and the fact that most major lending institutions do not like to finance casino projects also have delayed some construction and expansion projects.

Despite these and other problems—major corporations have invested $1.5 billion in the city's gaming industry.

The nine hotel-casinos have a total of nearly 5,000 rooms. Construction has started on another 1,500 hotel rooms and ground will be broken before the end of the year on projects that will add 3,000 more rooms. Two existing hotels are planning to add a total of 1,250 rooms. (See accompanying article.)

G. Gerard Kauper, president of the Atlantic City Convention and Visitors Bureau, said that Atlantic City tourism is at its highest level in years. Kauper predicted that close to 400,000 persons will visit Atlantic City this year.

"An estimated $66 million of new money was injected into the Atlantic City area economy by some very high quality groups, many of whom are still growing and want to return but whose requirements call for additional meeting room and exhibit space to satisfy their expanding needs," Kauper said.

Expansion and renovation of the 52-year-old Convention Hall is "critical" to the city's future, Kauper said.

Atlantic City's demographics are highly favorable. About 53 million persons live within a 300-mile radius of the seaside resort, according to the Commerce Department. About 16 million persons live within that distance of Las Vegas.

Atlantic City's most pressing problem right now appears to be the need for additional hotel rooms. Though its potential immediate market is three times as large as Las Vegas', the city has only 5,000 rooms compared to Las Vegas' 30,000.

On the other hand, however, the New Jersey Casino Control Commission takes a slow and studied approach to the granting of licenses and other state and local regulations have delayed some projects.

In fact, Holiday Inns Inc., whose opening of Harrah's hotel-casino went smoothly, will not develop another parcel of land it owns in Atlantic City until the state relaxes some of its regulations.

"Despite the ongoing regulatory difficulties which made Atlantic City a very high cost place to operate . . . the market remains extremely strong," Mike Rose, Holiday Inns' chief executive, said. But, Rose added, Holiday Inns will not build another hotel or casino until the state eases up on some of its requirements.

Industry stressing safety

In an attempt to erase from the public's memory the disasters that have claimed the lives of hundreds of hotel guests in the last 12 months, the lodging industry is stressing safety in its public statements, advertising and employee training.

Fires at the MGM Grand and the Hilton hotels in Las Vegas and at the Stouffers conference center in Harrison, N.Y., killed 118 persons, injured hundreds more and caused millions of dollars worth of damages.

The collapse of an atrium walkway this summer at the Hyatt Regency in Kansas City, Mo., killed 112 persons and further blackened the industry's public image.

In the last 10 years, other serious fires at properties owned by the nation's top 10 hotel chains alone have killed 44 persons, injured 334 others and caused about $27 million damage, according to the *Wall Street Journal*. Industrywide, more than 800 persons have died in fires since 1971.

When the MGM Grand, the Hilton and the Kansas City Hyatt reopened, local officials and hotel spokesmen stressed the safety of the buildings. At the Las Vegas hotels, new safety systems have been installed and the reopening hoopla concentrated on new, safer building materials and new detection systems that had been installed.

In Kansas City, the Hyatt was declared safe by local officials. The four walkways that had spanned the atrium lobby were gone and the hotel had a new look. (The cause of the walkway collapse has not been determined.)

Across the country, hotels are letting the public and employees know that safety is a priority.

The Adolphus, a luxury hotel in Dallas that just underwent a $45 million refurbishing, has a new emergency alert system and smoke alarms and detectors in all hallways, public space and rooms.

Holiday Inns, the world's largest chain, has upgraded its fire-safety standards which, critics charge, have not been as stringent as they should be. The company has installed sprinklers in 75 company-owned hotels recently; 192 others already have them. Franchised hotels will be required to install sprinklers when renovations are undertaken.

By the end of the year, Holiday Inns will have installed smoke detectors in all hotel corridors. Most company-owned hotels and some franchised properties will install smoke detectors

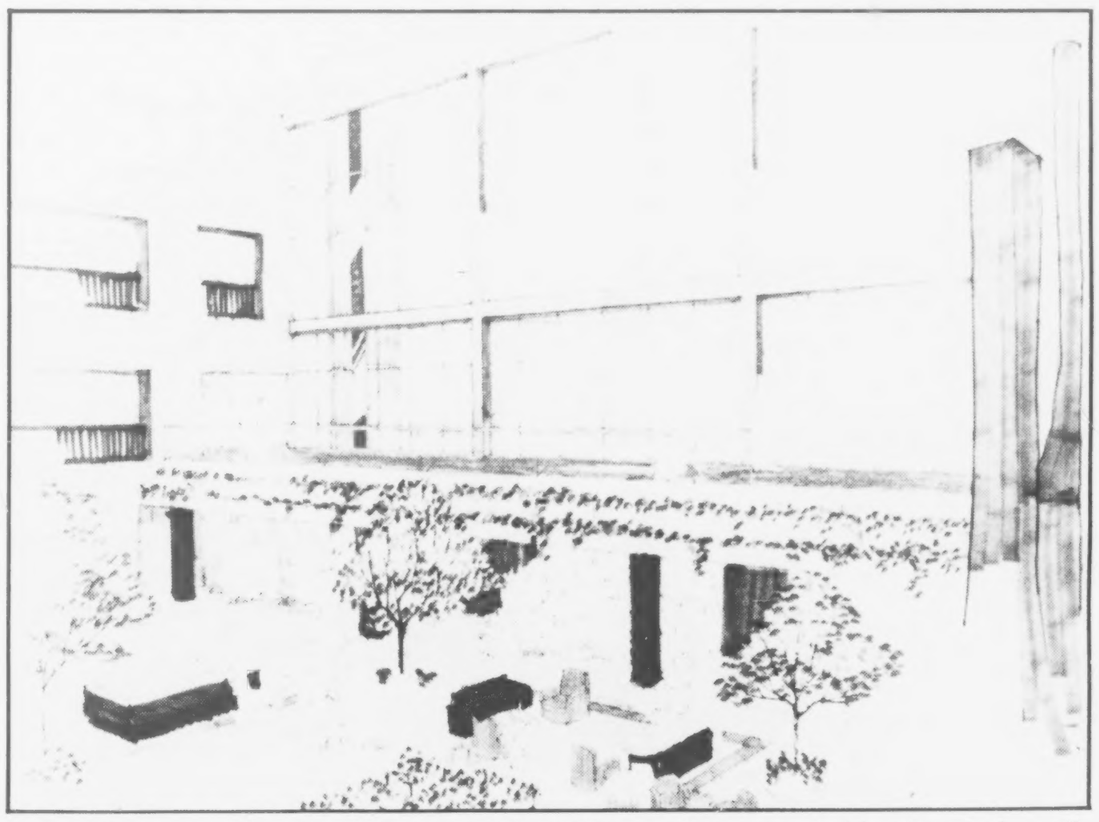
Holiday Inns is directing the installation of fire doors in interior hallways in all hotels during major renovations; new hotels must have them. In addition, the company is considering making self-closing doors mandatory beginning next year.

The chain has doubled the number of company fire inspectors over the last three years. The inspectors are responsible for checking hotels for fire safety and familiarizing themselves with local safety codes.

In the last 10 years, 29 persons have died in 26 fires at Holiday Inns. The fires left 216 persons injured and caused $14.7 million in damage.

Between the years 1971 and 1981, 849 persons have died in 370 fires industrywide. Those fires injured 2,645 persons and caused $177.3 million damage.

Other chain hotels where guests have been killed in fires since 1971 include Hilton (9 dead), Best Western (2), Sheraton (4), Ramada Inns (3), and Howard Johnson (6).



Hyatt Regency Kansas City's new West Terrace is supported by 10 reinforced concrete columns, replacing the collapsed walkways.

NRN FOCUS

THE LODGING OUTLOOK

Hotels losing ground to soaring energy costs

NEW YORK—Astronomical energy costs continue to plague hotel and motel operators even as they make moves to cut their energy consumption. Energy costs increased a whopping 23% in 1980 but operators were able to reduce consumption by only 3.7%.

Oil industry deregulation earlier this year only added to miseries brought about by big energy price hikes in 1979. And there's little good news for the immediate future.

Higher and Higher

The best that can be expected in 1982 is a slower rate of energy cost increase. Pannell Kerr Foster, an accounting firm which reports on the lodging industry, forecasts a 10% rise in energy costs next year. The Hospitality, Lodging and Travel Research Foundation, however, believes the increase will be between 15% and 20%.

One thing is certain—energy is getting much more expensive and there's little relief in sight. Hotels and motels in the Mountain and Pacific States reported a 29.6% increase in energy costs last year. As a group, resort hotels reported the biggest jump—24.5%. Motels without restaurants had the smallest increase in energy costs—18.6%. Motels with restaurants paid 22.1% more for energy last year than in 1979 and transient hotels had a 23.6% increase.

A resort hotel in the United States paid $1,093 *per room* for energy in 1980. The per-room energy cost for motels without restaurants was $531 and for motels with restaurants $677.

Operators are fighting back, though. The Hospitality, Lodging and Travel Research Foundation, an affiliate of the American Hotel & Motel Association (AH&MA), reported that hotels and motels cut their energy consumption 3.7% in 1980, as mentioned earlier, and 24.2% since 1977.

The foundation based its figures on a survey of 323 hotels and motels conducted by its Energy Technical Center in San Antonio, Tex. The center has been studying energy usage since 1977 and submits its data to the U.S. Department of Energy as part of its voluntary energy conservation program.

Despite "the hospitality industry's improvement in energy use over the past four years, the cost of energy has increased at an even greater pace," the survey noted.

The national average annual cost of energy per square foot was about $1.40 in 1980, compared to $1.08 the previous year. The report said the average cost of energy would increase at a rate of 15%-20% annually.

"Now more than ever, increased and effective energy management practices are essential to the continued growth and financial well-being of the hospitality industry," the report said.

Hotels and motels in the Midwest used the most energy and properties on the West Coast used the least, the report said.

The hotels and motels surveyed in the latest report are located in 39 states and the District of Columbia. The AH&MA said the properties were representative of its membership in size and geographic location.

The properties have 71,137 guest rooms and a total interior area of 40.3 million square feet.

The sample properties represent 4.4% of the total number of properties and 7.4% of the total number of rooms of the AH&MA membership as of last December.

The high cost of energy has led many operators to look for new equipment and new operations systems to cut energy consumption.

Thousands Saved

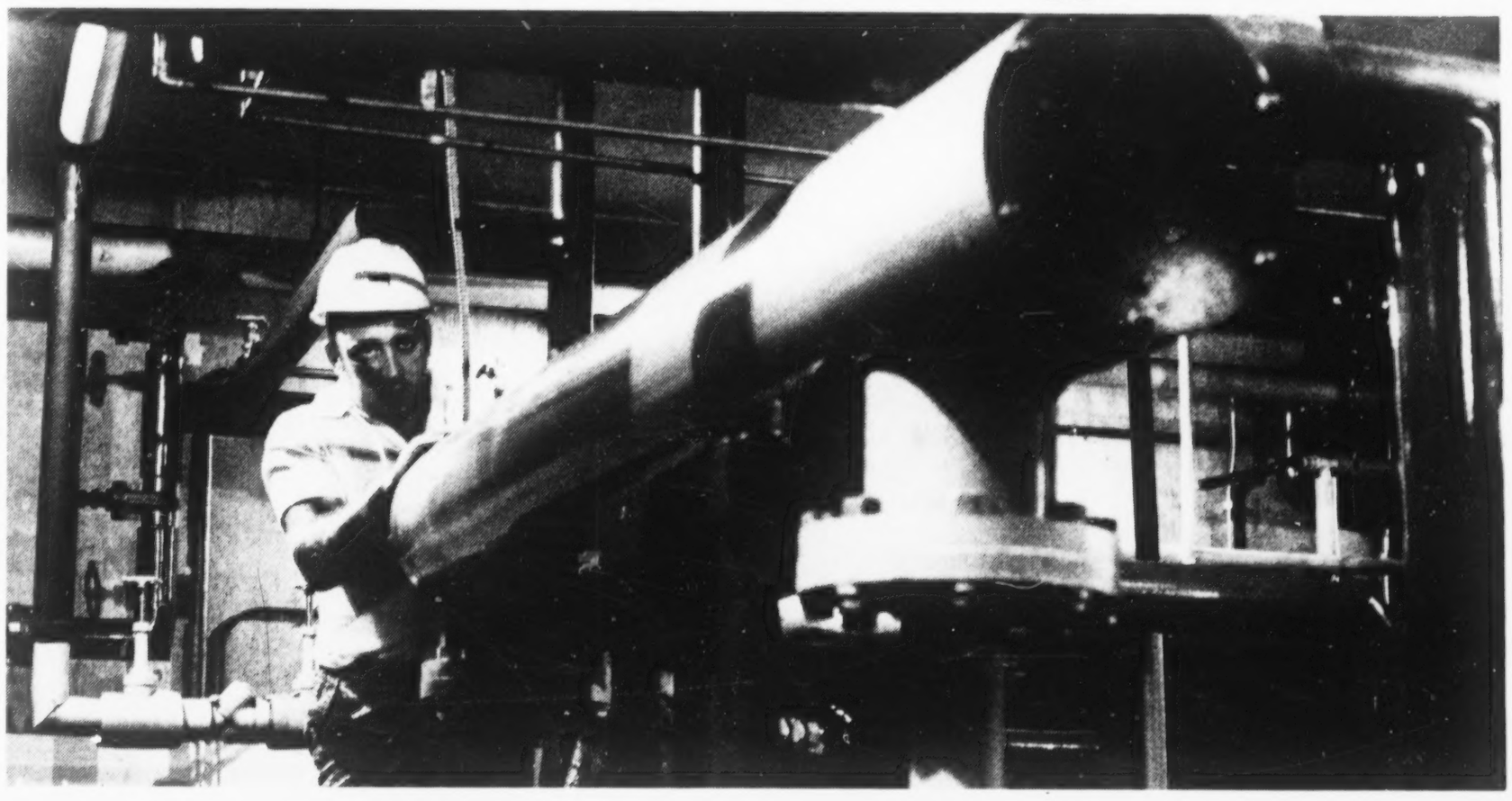
The Penn Harris Motor Inn in Harrisburg, Pa., for example, reports it has shaved thousands of dollars off its water treatment budget and electricity bills by installing an electrostatic water treater, a low-cost method of treating water without chemicals.

Three years ago, the owners of the 400-room property began to make arrangements to replace four existing 121-gal. salt regenerated softeners with one electrostatic water treater. All four of the water softening units were in line with the incoming water main.

The system is now in place, and Thomas Staub, the hotel's chief engineer, said the results have been "dramatic."

When Staub was first investigating the feasibility of the new system, he was told by a local consultant the cost of replacing the existing four water softeners ($12,000), plus the annual projected cost of salt (nearly $9,000), were reasons enough to try the new concept.

Staub said the electrostatic water treater cost $4,800. The Penn Harris Motor Inn is realizing an annual savings of between $15,000 and $20,000, he said.



Thomas Staub, Penn Harris Motor Inn chief engineer, inspects the electrostatic water treater that has eliminated the use of four water softening units at the facility.

*THE RISING COST OF ENERGY**

Types of Property	1980 Cost Per Room	Per Cent Increase From 1979
Resort Hotels	$1,093	24.5%
Motels With Restaurants	677	22.1
Motels Without Restaurants	531	18.6
Transient Hotels	—	23.4

Source: *Trends in the Hotel Industry* (Pannell Kerr Foster)

*Pannell Kerr Foster tracks 800 hotels and motels in the United States for its reports on the lodging industry. Energy costs at those 800 properties rose 23.4% in 1980 to $187.9 million.

ENERGY USE IN HOTELS AND MOTELS

	1977	1978 vs. 1979 (Same Properties)		1979 vs. 1980 (Same Properties)	
Number of Properties	210	284	284	323	323
Number of Rooms	59,648	68,911	69,368	70,311	71,137
Total Square Feet (Millions)	42.6	40.4	40.8	39.8	40.3
Total Energy Use (Trillions of Btu)	7.7	6.2	5.9	5.7	5.6
Btu/Sq. Ft./Year	181,685	153,308	143,977	143,055	137,801

Source: *Hospitality, Lodging and Travel Research Foundation*

Days Inn launches DayBreak to compete with fast-food chains

ATLANTA—While luxury-priced hotels battle upscale elegant restaurants for market share, Days Inn is battling the fast-food chains.

To catch guests before they set out on the road in the morning, Days Inn, the 320-unit chain, has stopped building Tasty World restaurants, which offer full menu and full service, and are instead building DayBreak restaurants, a low-labor, fast-service concept with counters abutting banquettes akin to Friendly's.

"Yes," admitted Tom Soldo, food and beverage manager for the chain, "we have to be very aware that there is a McDonald's up the street that is serving breakfast."

So far, 19 DayBreak restaurants are in operation, plus one that is franchised, and six are in the planning or construction stages, Soldo said.

The concept was announced in 1978, but development of the new restaurants was stalled when Days Inn cut back, during the 1979 gasoline shortage, on new construction.

The menu of DayBreak revolves around eggs, reflecting its breakfast orientation. The prices are just slightly higher than fast feeders.

NRN FOCUS

THE LODGING OUTLOOK

Foreign-owned hotel chains continue expansion in U.S.

Lured by the United States' relative political and economic stability, foreigners have invested over $2 billion in America's $23 billion lodging industry, according to 1980 U.S. Commerce Department estimates.

Last year Great Britain's Imperial Group Ltd. purchased Howard Johnson, the 60,000-room motel chain, for about $630 million in cash. After a year of assessment, the chain is reportedly ready to launch a new marketing strategy.

Trusthouse Forte Ltd., another British conglomerate, plans 25 new luxury hotels in the United States under the Excelsior banner by 1985. It already owns 96% of TraveLodge, a 520-motel chain.

France-based Novotel, one of the fastest growing chains in the world, is aiming at the upper-midpriced market in the United States with 10 medium-sized hotels planned for suburban areas in the next four years. Its prototypical L'hotel Sofitel in Minneapolis boasts food and beverage sales in its French-styled restaurants that outstrip room sales.

Club Med, the unique resort chain, recently established an outpost in Colorado and has plans for further American development. The Four Seasons group from Toronto controls six luxury hotel properties in the United States and plans four more by 1982.

Among the airlines, searching for haven from an industry up in the air, Aer Lingus owns the Dunfey chain with 22 United States properties, Air France owns Meridien Hotels with three in the United States, and Swissair, through the Swissotels subsidiary, has one hotel in the United States.

But foreign investors are not only interested in independent projects. Foreign investment in major American hotel chains is also on the rise.

Foreign investors are already financing Marriott hotels overseas in such cities as Amsterdam and Athens and the Middle East. A Marriott spokesman recently told a magazine writer: "We expect them to be increasingly interested in financing Marriott hotels in the United States."

Foreign investors own sizable chunks of Sheraton's Hawaii, Pacific and Far East division. In Sheraton's franchise division, seven of the 284 properties are owned by foreign investors.

Before 1979 foreign investment in United States hotels was spotty. Between 1967 and 1977, the volume of foreign investments in all United States industries increased 344%, mostly in nonlodging real estate and manufacturing.

But last year $2.7 billion was invested by foreign concerns in United States real estate. That was more than half of the year's total foreign investment. Government figures on exactly how much of that $2.7 billion was in the United States lodging industry are incomplete, but over half of all the real estate transactions were in deals for more than $10 million.

The single biggest transaction last year was the takeover of Howard Johnson. The Imperial Group had banked cash reserves from several America divestitures the year before and had been in the market for a new acquisition for some time.

America represents the last frontier to many foreign hotel chains. Until recently a weak United States dollar made property here a bargain for foreign investors. And though the dollar has gained weight, development plans of foreign firms show no sign of abating.

European investors are far more accustomed to inflation and how to cope with it, experts say. Management contracts, for instance, have been a common practice in Europe for decades because mortgage money has long been scarce. The management arrangement, on the other hand, is a relatively new device in the United States.

Real estate has inherent value, speculators agree. In addition, demand is inelastic enough that hotels can ratchet up room rates, especially in the luxury class, to keep pace with inflation. So foreign investors see a steady income insulated from economic shocks.

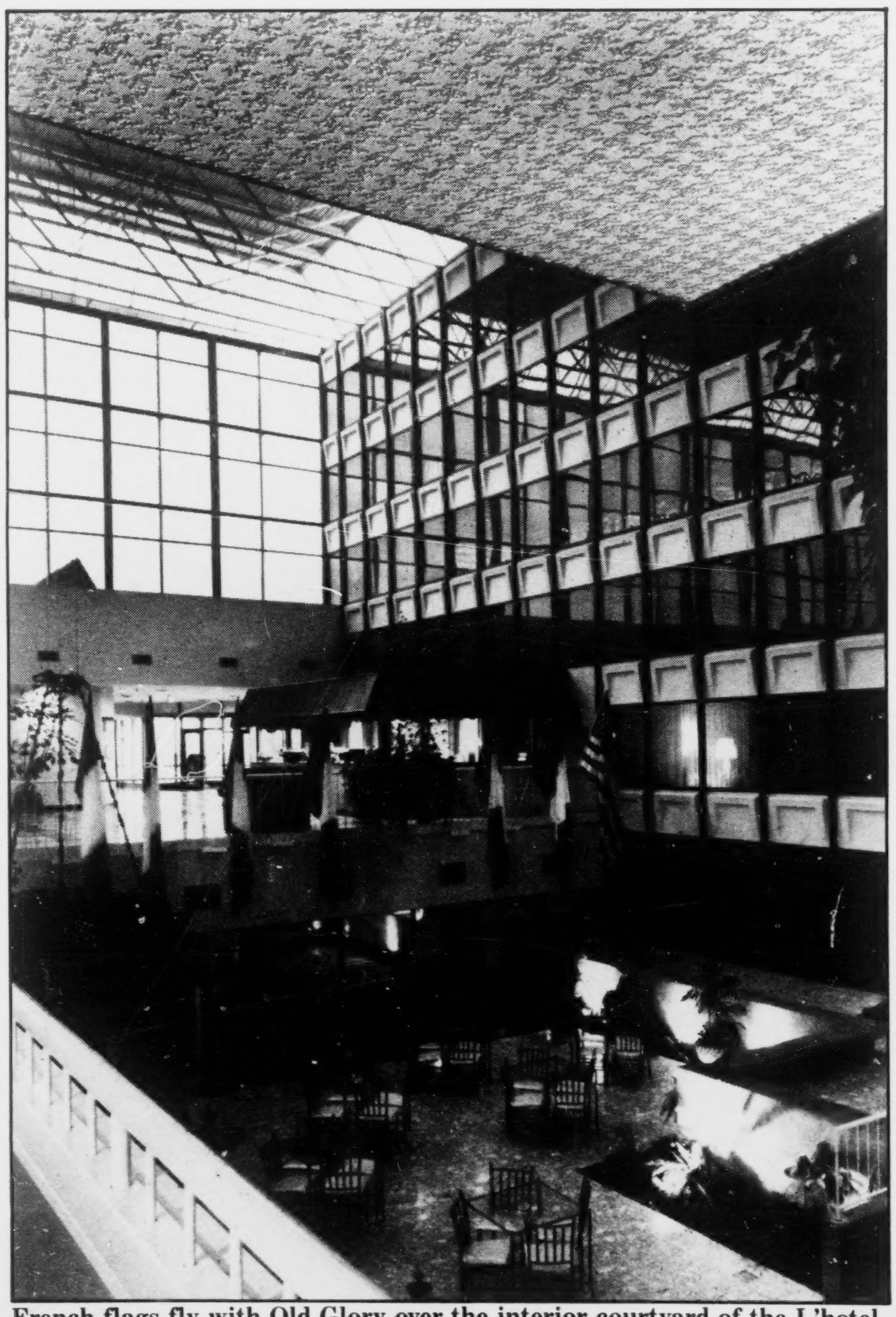
Foreign investment also demonstrates a confidence in the United States political and economic system. "It's one of the last bastions of free enterprise," one executive of a foreign firm said.

TOP WORLDWIDE LODGING CHAINS

(Based on 1980 Figures)

Chain/Nation	Number of Properties	Number of Rooms
Holiday Inns/U.S.A.	1,755	303,578
Best Western/U.S.A.+	2,761	207,299
Sheraton/U.S.A.	418	107,966
Ramada/U.S.A.	635	94,000
Friendship Inns/U.S.A.+	1,080	78,500
Trusthouse Forte/Britain	810	72,299
Hilton Corp./U.S.A.	203	71,804
Federation Nationale/France+	4,345	71,711
Supranational/Switzerland+	370	70,000
Howard Johnson/U.S.A.	521*	59,000*
Golden Tulip/Netherlands+	350	55,000
Balkantourist/Bulgaria	684	51,443
Flag Inns/Australia+	652*	50,000*
Days Inn/U.S.A.	315	44,000
SRS Hotels/Germany+	159	43,900
Quality Inns/U.S.A.	350	41,415
HRI/U.S.A.+	145	40,000
Club Med/France	132	36,333
Novotel/France	283	35,214
Hyatt Corp./U.S.A.	58	34,000

Source: *Service World International*, June 1981
*Estimated
+Consortium



French flags fly with Old Glory over the interior courtyard of the L'hotel Sofitel in Minneapolis, owned by Novotel of France.

French firm targets growth at upper-midpriced market

MINNEAPOLIS—L'hotel Sofitel here is the prototype for 10 hotels the fast-growing Novotel chain plans for the United States by 1985.

It is purely French. The switchboard answers, "Bonjour. L'hotel Sofitel." And it has three French restaurants that out-sell the rooms division. Food and beverage sales accounted for $7 million last year, while rooms accounted for $5 million, according to Cindy Johnson, director of catering at the 300-room hotel.

Novotel began in 1968 with a 60-room inn in the French industrial city of Lille. After three years, under the direction of co-chairmen Paul Dubrule and Gerard Pelisson, the private firm was expanding at the rate of 25 hotels per year.

The chain now has about 340 properties with over 35,000 rooms in 25 nations. Novotel's strategy in the United States, according to Philippe Bourguignon, executive vice president, is to fill a niche between luxury convention facilities and mid-priced roadside motel-hotels.

"It is a niche that is just starting

(Continued on page 98)

NRN FOCUS

THE LODGING OUTLOOK

Plaza of the Americas in Dallas is one of the American properties managed by Trusthouse Forte Ltd. of London.

Shackled by financing costs, chains seek new alternatives

Hotel chains, pinched like others by stratospheric money costs, are turning to alternative methods to effect expansion.

Instead of financing new construction on their own, they are increasingly turning to long-term management contracts for growth.

"Hyatt, Marriott and Westin are the three most progressive chains in using the full range of devices," asserted Larry Stephan, a professor of marketing at Michigan State University's School of Hotel, Restaurant and Institutional Management.

Hyatt, owning few hotels outright, is mainly a management company. At the new Hyatt Regency Savannah, for example, the seven-story structure is owned by local investors.

Eight of Westin's 23 United States properties are managed. Another five are leased. Half of Radisson's domestic sites are managed. Marriott has about 80 United States properties and while most, by 2 to 1, are franchised, the rest is split almost equally between company-owned and -operated and managed only.

Hilton Hotels was the first, in the late 1960's, to make extensive use of the device. Today 165 of its 213 domestic properties are managed.

Among big budget-chains TraveLodge is the most extensive user of joint venture agreements. Half of its 500-plus motels have been developed and are being operated this way.

"The trend is much more toward managing or franchising situations as opposed to equity ownership," Stephan observed.

High Rollers

Insurance companies and pension funds are the high-rollers these days, experts agree. As the foreign investors have found, hotel room rates can be easily adjusted for inflation so a steady cash flow is insured.

The specifics of management contracts can be almost infinitely varied. An agreement can be for 99 years, but most are renewable after 10 years. The management company can charge a flat fee and a percentage of gross revenues or profits, or any combination.

Franchising has been used mostly in the motel segment, where quality standards are less strict. But franchisees are also turning to creative financing to build.

French firm hones in on U.S. market

(Continued from page 96)

to be filled," Bourguignon said in an interview at The Roosevelt in New York, which was purchased last year by Pakistani Air Lines and is managed by Novotel. He noted that Marriott, Holiday Inns and, lately, Ramada Inns have all targeted the upper-midpriced market for expansion.

The architecture of Novotel's prototypical L'hotel Sofitel in Minneapolis is simple. The interior is arranged around a large airy atrium. Guest rooms on three sides look down into the lobby, which has a recessed level where a patio outlines a swimming pool.

The restaurants at L'hotel Sofitel have made the hotel's local reputation. "It's what keeps us in business and our occupancy high," Johnson said.

The three restaurants represent the diversified market strategy that has overtaken the American hotel industry since the days of one coffee shop and one dining room were abandoned. Le Cafe Royal is the main dinner facility, decorated with chandeliers and gilded walls. Chez Colette serves provincial fare in a less formal setting. La Terrasse is a sidewalk-type cafe and bar open 24 hours. La Patisserie is the retail outlet for breads and pastries baked in the hotel kitchen.

"The French touch really comes through," noted Bourguignon. "More than 50% of the restaurant clients are local, not guests."

"We used to be in the hotel business," he quipped, noting the high food and beverage sales. "But in the United States we are in the restaurant business."

Novotel is shying away from huge convention hotels, Bourguignon said, in favor of smaller buildings.

The Houston L'hotel Sofitel is due to open next summer. It features a low profile with separate entrances for the restaurants so, "You would hardly know it's a hotel," Bourguignon asserted.

Deals have been closed in Atlanta, Chicago and Miami for new L'hotel Sofitels. In New York, Novotel seems ready to sign an agreement for a new 500-room hotel in midtown Manhattan. Room rates would be about one-third lower than prevailing luxury rates, he said.

"The smaller size of the hotels," Bourguignon said, "means we can charge lower room rates. And without convention facilities the ratio of staff to guest can be higher. It's easy to develop a deluxe hotel where your costs are higher because you can charge whatever you have to. We're not doing the easy thing."

L'hotel Sofitel in Minneapolis has three French restaurants which outsell the rooms division. More than 50% of the patrons are local, not hotel guests. The formal Le Cafe Royal (right) is the main dinner facility; while Chez Colette (left) serves provincial fare in a more casual setting. There is also a 24-hour sidewalk-type cafe/bar, as well as retail outlet for breads and pastries.

PROFILE: WARREN ROSENTHAL

The force behind Jerrico's success—Page 25

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BK strategists map major offensive

Burger King chairman and ceo Louis Neeb leads the way in the chain's effort to reverse a mediocre fiscal 1981.

New ad thrust spearheads push to boost market share

By Roman Czajkowsky

HONOLULU—In a major repositioning effort, Burger King is about to replace its scatter-gun "Make it special" advertising approach with a new campaign that stresses product "quality."

Keyed to the theme, "Aren't you hungry for Burger King now," the campaign is the linchpin of an overall strategy that executives hope will establish the Pillsbury subsidiary as the industry's "quality chain" and, more immediately, prevent another ho-hum performance like that in fiscal year ended May 31, when average unit sales increased a mere 2.6% over the previous year.

Details of the strategy were unveiled by top Burger King executives at a franchise convention in Honolulu late last month.

They add up to what is Burger King's first major push to build market share since Lou Neeb replaced Don Smith at the helm of the 3,200-unit hamburger chain in 1980. The strategy also sets specific growth goals, including:

- An increase in average store sales by 12% in each of the next three years over the $728,000 average posted in fiscal 1981. That would push Burger King over the $1 million mark by the end of 1983.

(Continued on page 53)

Victoria Station eyes end to financial woes

By Charles Forman

LARKSPUR, Calif.—With profitable first and second quarters behind it, Victoria Station is at least half way to making a break with two years of red ink.

Nonetheless, the chain of railroad-motif restaurants has still not entirely solved some underlying problems.

For the second quarter ended Sept. 13, the company reported profits of $391,000 vs. a loss of $1.6 million for the same period a year earlier. Sales for the period were down 8% to $30.4 million.

For the first half, profits were $1.1 million compared to a loss of $2.8 million for the first two periods of fiscal 1981. Sales for the first half were off 4% to $60.4 million.

The question now is whether the management team that stopped the fiscal bleeding has medicine in its bag to restore the patient to its former robust health.

Latest efforts include a push for group business, decor and lighting changes, and a lunch menu that is in test in 10 units.

Ray Newberry, a regional manager and former Steak & Ale employee, replaced Carlos Garcia not long ago as director of operations for the company's 52 restaurants in the western United States.

These moves, aimed at long-term core problems, tend to confirm that for this operator of 98 theme restaurants, still struggling with flat customer counts, lackluster unit sales and a concept whose appeal time may have diminished, the real turnaround effort is just beginning.

Assigned to bring the ailing chain back to peak form are Terrance Collins, who left General Foods' Burger Chef in February after four years as president, to become Victoria Station's president and chief executive officer March 1, and Paul Sheppard, executive vice president since August 1980 and chief operating officer since February of this year. In May Collins added the chairman's mantle.

Terrance Collins

If the current fiscal year ends profitably for Victoria Station, the Collins-Sheppard management team will take credit for bringing the company back from losses of $6.3 million in fiscal 1981 and $1.3 million in fiscal 1980.

(Continued on page 54)

Host nears accord on DFS takeover

By Rick Telberg

SANTA MONICA, Calif.—Host International has agreed in principle to a $117 million cash takeover offer from DFS Group Ltd., the firm whose hold on the Honolulu duty-free retailing market Host failed to break.

DFS is a Hong Kong corporation privately owned by four Americans that operates duty-free shops at foreign airports. With sales last year of $500 million, it is a leading duty-free retailer.

Facing a decline in air traffic, Host last year showed a 12% drop in profits to $14 million. For the first nine months of this year, profits are down 79% to $2.3 million while sales are up 13% to $300 million.

Host has attributed a major portion of the recent setbacks to its failed attempt to wrest from DFS the retailing market at Honolulu airport.

From 1962 until last year, when the Hawaiian legislature opened the Honolulu airport concession to competitive bidding, DFS monopolized the Honolulu duty-free shops.

Host won a contract to compete directly with DFS, but never garnered more than 10% of the market. Host had projected $2.5 billion in sales for the 7½-year contract, but in September it pulled out, paying Hawaii $2.6 million to break the deal with more write-offs to come.

The DFS-Host merger is the latest in a spate of acquisitions.

- Shoney's Inc. acquired the 117-unit, franchised Famous Recipe fried chicken chain.
- Negotiations continued between International Dairy Queen and the 220-unit Golden Skillet fried chicken chain.

(Continued on page 53)

3rd-quarter disaster triggers speculation

Losses mounting at Sambo's

By Charles Bernstein

CARPINTERIA, Calif.—Sambo's suffered a stunning $13.1 million net loss for its third quarter ended Oct. 1—a quarter that normally is the most profitable for this segment of the business. It compares with a $2.3 million net loss for the same period last year.

Losses for the first nine months mounted to $29.8 million, compared with $9.35 million for the same period last year. Revenues were up 2% to $125 million for the third quarter but down 1% to $368 million for the nine months.

One reason for the heavy losses, even with overhead having been trimmed, could be the sharp price cutbacks and specials which have boosted lagging traffic somewhat but apparently have cost heavily in profit margins.

The worsening losses touched off speculation as to what action could be taken by City Investing, which has a controlling interest in Sambo's through a GDV subsidiary that City is trying to completely acquire.

It is highly significant that of the two new City Investing directors named to a restructured reduced five-person Sambo's board, one is an asset disposition expert and the other is a financial specialist. They are respectively Frank Moothart, a Los Angeles-based City Investing vice president, and John Quirk, corporate treasurer of New York-based City Investing.

One course of action open to Sambo's is to sharply cut back the chain by selling off units and trimming down for a concentrated effort in the West.

(Continued on page 54)

LATE NEWSBREAKS

G. Michael Hostage, chairman and president of ITT Continental Baking and former president of Marriott's restaurant group, will replace Howard B. Johnson as chairman and president of Imperial Group's HoJo Co. (Full details, next issue.)

Sambo's has shut an undisclosed number of unprofitable restaurants in Michigan, Ohio and Kentucky, as the start of what administration vp Arthur Dowd termed a "streamlining plan." (Earlier story, this page.)

McDonald's has launched a dessert center test to gain extra sales in front of a handful of restaurants. At the same time McD plans to widen its Chicken McNuggets "test" which has shown successful results and to attempt refinements in the Chicken McNugget sandwich after scrapping the chopped beefsteak sandwich. Testing of a McRib barbecue pork sandwich is being accelerated.

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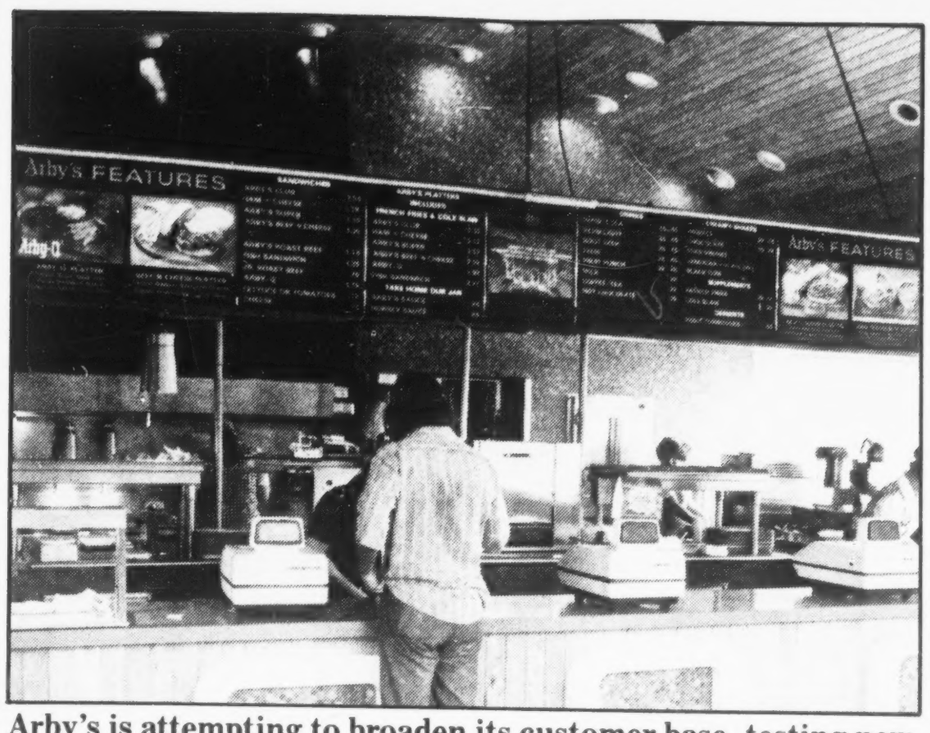


Arby's is attempting to broaden its customer base, testing new menu items.

Deli sandwiches to broaden appeal

Arby's experiments with new menu items

By Susan Spedalle

ATLANTA—Arby's company-owned and -franchised units are currently expanding tests of deli specialty sandwiches in several markets in an attempt to add more women, children and families to the company's now predominantly male customer base.

The markets now using the new submarine, french dip and cold ham and cheese sandwiches are Cincinnati, Pittsburgh, Grand Rapids, Mich., San Diego and some New York City units, according to Larry Krueger, senior vp of marketing and president of Arby's Franchise Assn. Service Corp.

Sources said another sandwich, a Hat-of-beef, which is a small roast beef sandwich with ketchup, mustard and pickles selling for 55¢, may roll out chainwide next year. The Hat-of-beef is currently in test in five United States markets.

The chain is looking at a limited testing of breakfast "down the road," said Krueger, but other sources have admitted that a breakfast program has been initiated by some franchisees, most notably in the New York area.

"We are looking at new products as an evolution, not a revolution," Krueger said, but added that he is "concerned to a certain point" about diluting Arby's' image. Most of the sandwiches are derived from the roast beef sandwich.

Krueger said Arby's will shy away from couponing in the future, favoring a more "rifle shot" approach, used recently in the national "Happy Beef Day" promotion, in which the chain sold roast beef sandwiches for 79¢ and promoted heavily on network television.

Krueger said Arby's plans to open 150 new units next year, but calls the figure "optimistic," expecting most of the growth to come from franchisees. Company-owned stores will be busy solidifying their image, he said.

The New York breakfast, served from 6 to 10:30 a.m., includes a ham and egg sandwich and a bacon and egg sandwich, selling for $1.07 each. Pancakes for $1.29, scrambled eggs and bacon for $1.49 and english, corn and bran muffins for 43¢ each are also being offered. French toast was in one unit, but discontinued in another. One unit spokesman said the store has been serving breakfast since the unit opened a year ago.

Gino's renews negotiation with Marriott Corporation

KING OF PRUSSIA, Pa.—Gino's confirmed it has been holding discussions with the Marriott Corporation concerning the possible acquisition of Gino's.

The hamburger and steakhouse company said there was "no assurance that a transaction will result from these discussions." A Marriott spokesman said "nothing substantive has been agreed upon" so far.

Gino's operates 313 Gino's hamburger and Kentucky Fried Chicken restaurants, 113 Rustler Steak Houses and 43 KFC take-out stores.

Marriott's restaurant group includes Big Boy and Roy Rogers Family restaurants.

Shopping mall developer plans to purchase A&W

By Donald Frazier

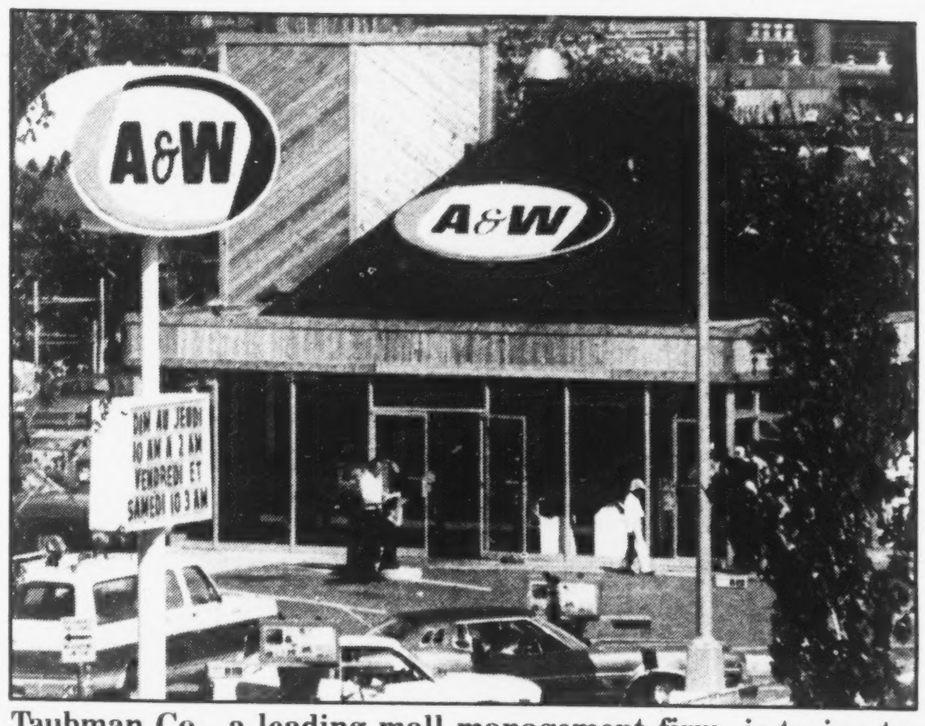
SANTA MONICA, Calif.—United Brands is negotiating sale terms for its 1,100-unit A&W chain to a shopping mall developer.

Finalization of the chain's sale to the Taubman Co. of Troy, Mich., was likely to be made shortly, a United Brands official said at presstime.

Alfred Taubman, chairman of the Taubman Co. and a member of the United Brands board, declined comment on the sale beyond confirming that negotiations are taking place.

The sale comes at a time of financial gloom at A&W's parent company. United Brands suffered an $11.9 million loss for the first quarter, ended Sept. 30, when sales slipped 6% to $936 million. The company's net profit for the fiscal year ended June 30, had dropped 5% to $29 million.

The last several years have been stagnant for A&W, whose net profit has hovered at perhaps $1 million a year. One company official attributed this to United Brand's refusal to financially support the chain's expansion and marketing efforts in recent years.



Taubman Co., a leading mall management firm, is trying to acquire United Brands' A&W chain.

But the Taubman group, he added, is apparently contemplating a major investment in the chain.

All of the redesigned A&W units built in recent years are in Taubman-operated malls. The Taubman Co. is one of the country's leading mall management concerns, operating 22 malls containing more than 28 million sq. ft.

The sale of a large restaurant chain to a shopping mall operator would be a unique development. One A&W official speculates that a Taubman-owned A&W chain might limit its major expansion to shopping malls.

Franchisors fear Senate bill

WASHINGTON—A Senate bill that would permit franchisees to veto competitors within a 100-mile radius is a serious threat to fast-food franchising, according to Bruce Cotton, Jerrico vice president for public affairs.

In statements before a Senate subcommittee Cotton said the bill, if enacted, could lead to "dealer cartels."

Testifying on behalf of both Jerrico (which operates Jerry's restaurants and Long John Silver's Seafood Shoppes) and the International Franchise Association (IFA), Cotton warned that the bill, although not aimed at the fast-food industry, could in fact "regulate the franchise relationship of most IFA members, including my company."

He added that the "restraints upon establishments of new franchises or dealerships would establish a very radical and disagreeable precedent for franchising."

The new bill, the "Retail Dealers Agreement Act," was proposed principally to help office machinery dealers who complained to the Senate Subcommittee on Business, Trade and Tourism about unfair manufacturer quotas and manufacturer arrangements with competing dealers. However, Cotton and Loren Steele, executive vp of Super 8 Motels, told the subcommittee that they feared the bill spilled over into nearly all franchising agreements.

Broad phrasing in the bill, Cotton noted, defines a "dealer" as any entity or person "engaged in the business of selling the product of a supplier to consumers or other end-users in any office or business environment."

He added that the bill "must be narrowed to apply exclusively to the office machinery industry."

Citing in a memo a number of technical problems as well as the "dealer cartel" concept, the IFA called the bill "one of the most far reaching proposals ever presented as regulation of distribution relationships."

The legislation is being pushed primarily by Sens. Larry Pressler (R-S.D.) and James Exon (D-Neb.).

Small operators may face shrinking food supplies

WASHINGTON—Small- to medium-sized restaurants could find their food-supply sources gradually choked off over the next 10 years, if the conclusions of a new Government-sponsored marketplace forecast prove to be on target.

The projections, contained in a research study prepared for Federal Trade Commission antitrusters, warn that large supermarket chains will launch aggressive vertical expansion programs during the mid- to late-1980's.

Unless this acquisition campaign is checked by Federal antitrust enforcers, the FTC study suggests that many independent food processors and distributors who now supply restaurants may wind up captive sources for supermarket giants such as Safeway, Kroger, A&P and Grand Union.

Among the other predictions contained in the commission's new long-range forecast for food marketplace competition:

- There will be a steady erosion in the purchasing power of the "average food consuming household" due to a near total lack of growth in "real" (after tax) disposable income.
- "The battle for this almost nongrowing or perhaps even decline of discretionary income will become 'brutal' as alternative goods compete."
- "Price increases will therefore be increasingly harder to

(Continued on page 54)

HIGHLIGHTS IN THIS ISSUE

Warren Rosenthal has nearly single-handedly lifted Jerrico from obscurity into one of the most consistent growth companies in America. In this issue, *NRN* presents an in-depth profile of the man behind Jerrico's success. *Page 25*

Major airlines are battling each other for more passengers, offering marketing gimmicks beyond ordinary bounds. Editor Charles Bernstein views this practice as an unsatisfactory substitute for service. *Page 6*

Attracting a drinking crowd without a liquor license calls for merchandising tricks and imagination. Wine columnist Mort Hochstein visits Marty's, a Los Angeles restaurant that has increased its bar business to 30% of sales without serving liquor. *Page 40*

State legislatures have enacted a wide range of new laws, which may have an effect on the food-service industry. *Page 14*

The National Restaurant Association is vigorously campaigning for an energy tax credit for restaurants. *Page 16*

Annie's Santa Fe is bucking the madcap expansion trend of Mexican dinnerhouses, opting instead for a cautious growth strategy. *Page 11*

Needham, Harper & Steers, McDonald's former advertising agency, has failed to lure a major restaurant chain into its camp. *Page 11*

Thai food is becoming more acceptable to the American palate and consequently Thai restaurants are opening in record numbers, especially on the West Coast and in metropolitan Northeastern cities. *Page 30*

When Lynn Danner became director of Danner's restaurant division, the division was facing liquidation. Now, they are bouncing back. *Page 22*

REGULAR FEATURES

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California Milk regional insert—Pp. 22a-22b

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FINANCIAL NEWS

Host's 3rd qtr earnings drop 83%

SANTA MONICA, Calif.—Host International posted an 83% profit drop to $783,000 while revenues increased 11% to $106.8 million, for the third quarter ended Sept. 30.

The company attributed the profit fall-off to losses incurred by a subsidiary that operated duty-free in Honolulu. The loss included $2.6 million paid to the state of Hawaii to break a seven and one-half year contract, which still had more than six and one-half years to run.

The company said that any additional write-offs to come from its pulling out of Hawaii could not be estimated yet.

Earnings Drop

Profit for the three-quarter, nine-month period ended Sept. 30 dropped 79% to $2.3 million. Revenues for the period climbed 13% to $301 million.

The company noted that excluding its setback in Honolulu, its major businesses "performed creditably despite a weak economy and declining air traffic."

Sales of food, beverage, merchandise and hotel accommodations from airport operations rose 12% in the third quarter to $74.4 million. For the nine months, airport sales rose 14% to $203.7 million.

Operating income, however, was reportedly down in both periods for the airport segment. The company only breaks out sales, and not always profit, for its divisions.

Third-quarter sales of Host International's 52 specialty restaurants increased 22% to $22.2 million "and operating income increased sharply," the company said. For the nine months, restaurant sales rose also 22% to $63.5 million "and resulted in a significant improvement in operating income."

Holiday Inns' 3rd qtr net rises 50%

MEMPHIS—Holiday Inns Inc. has reported a 50.2% increase in net income to $57.6 million on a revenues rise of 17.5% to $488.2 million in the third quarter ended Oct. 2.

For the first nine months of this year, the diversified hospitality company reported a 28.7% net income increase to $124.3 million on an 18.9% rise in revenues to $1.3 billion compared to results in the same period a year ago.

The company's restaurant subsidiary, Perkins Inc., based in Minneapolis, reported a third-quarter increase in operating income due to continuing improvement in customer counts, according to Michael Rose, Holiday Inns' president and chief executive.

Rose attributed the large profit gains in the third quarter to continued improvement in the gaming group's earnings. Holiday Inns operates hotel-casinos in Las Vegas, Reno and Lake Tahoe, Nev., and in Atlantic City, N.J.

Northern Nevada operations rebounded during the quarter, Rose said, and Harrah's Marina in Atlantic City had "a strong summer season."

Sea Galley posts 35% net increase

MOUNTLAKE TERRACE, Wash.—Sea Galley Stores Inc. reported a 35% net profit increase to $586,000 on a 123% sales rise to $14.8 million for the third quarter ended Sept. 30. For the nine months, net profit rose 80% to $1.7 million on a 125% sales increase to $36.2 million.

Company Operations

The company owns and operates 33 full-service Sea Galley restaurants in seven Western states and Iowa and Virginia and 10 Family Fish House restaurants.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		For Two Weeks Ended Nov. 6							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield	Last X-Dvd. Date	Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days														
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	7.50	6.88	6.88	.00	.00	10.63	5.38	.50	-2.15	.27	8.70	.34	.02 N	5.8	14.0	5.8	19.1	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	16.00	13.88	15.38	1.50	10.81	21.88	10.00	.73	.39	-2.35	-46.27	1.67	.40 F	31.4	73.0	6.3	9.2	.20	1.3	07-27-81	114.7	6.7	1.4	17.7	,8	0780
ARA Services	ARA	26.75	23.75	26.50	1.75	7.07	37.25	23.75	-.39	.92	-.33	-29.64	5.33	-.36 N	-6.8	7.0	2.3	5.4	2.00	7.5	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.25	5.13	5.13	.00	.00	8.63	4.38	-.36	-.20	4.07	60.65	.80	-.37 N	-36.6	-2.0	3.3	8.0	.12	2.3	06-02-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	4.38	3.13	4.13	.88	26.92	4.88	1.63	.88	4.57	5.54	-18.40	.47	.14 S	31.8	41.0	2.3	7.1	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	20.50	19.75	20.25	.25	1.25	22.69	15.19	-.36	.37	3.20	18.89	1.35	.29 S	26.1	33.0	9.1	14.5	.40	2.0	09-21-81	125.2	11.4	1.7	.0	5	0480
Bonanza Intl Inc	BNZA	2.00	1.88	1.88	-.13	-6.25	6.88	1.88	-.43	-1.59	-5.05	27.50	.24	-.43 S	-286.6	-16.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel	BHCO	13.50	11.13	13.50	1.88	16.13	13.50	6.00	.76	2.26	3.49	7.70	.44	.04 N	9.5	27.0	4.2	29.3	.08	.6	08-11-81	104.3	4.4	1.0	8.5	3	1280
Calny Food	CLNY	11.75	11.75	11.75	.00	.00	15.50	8.50	-.24	.23	1.67	50.00	1.35	-.07 S	-4.5	8.0	2.2	8.0	.20	1.7	07-01-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	6.50	6.00	6.00	.00	.00	12.88	4.38	.42	-1.53	-4.94	-20.93	.95	.49 Q	75.3	34.0	2.4	5.3	.09	1.5	12-24-81	75.6	1.8	.7	11.1	5	0581
Chart House	CHHO	20.88	18.50	20.88	2.38	12.84	22.88	10.06	.29	2.24	-1.79	6.64	1.75	.28 N	16.5	12.0	4.9	10.6	.52	2.5	07-16-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	20.88	18.38	20.50	2.00	10.81	27.25	11.94	.18	.21	-6.58	-24.18	.46	.34 Q	161.9	35.0	12.9	37.3	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.75	12.25	12.25	.13	1.03	13.75	6.00	.50	-.67	.95	-26.42	.66	-.03 F	-4.3	8.0	2.7	18.6	.40	3.3	06-24-81	118.8	3.3	2.5	1.1	5	0780
Churchs Fr Ch	CHU	27.88	25.38	26.88	.88	3.37	37.38	23.25	-.57	.38	.69	-50.51	3.01	.55 N	18.7	24.0	9.9	7.7	.84	3.1	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.00	2.63	3.00	.38	14.29	4.63	1.50	-.26	4.26	1.36	18.07	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	13.38	11.75	12.13	.31	2.65	14.91	7.13	.26	-1.75	.74	10.15	1.56	.23 Q	15.0	10.0	2.8	6.9	.24	2.0	10-26-81	265.2	7.5	1.4	10.6	13	0481
Dennys Inc	DEN	30.63	29.13	29.25	-.25	-.85	31.75	17.13	.38	-.47	-.87	3.91	2.96	1.03 F	53.3	6.0	3.2	9.9	.88	3.0	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	15.25	13.00	14.63	1.63	12.50	18.25	9.34	.45	.51	-1.37	13.70	1.53	.35 N	24.6	21.0	8.2	8.3	.30	2.1	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	9.00	7.25	8.63	1.38	18.97	9.00	4.75	1.06	1.32	6.13	14.05	1.45	.71 Q	66.9	13.0	3.0	4.9	.38	4.4	11-30-81	97.0	2.9	1.2	7.5	13	0581
Ginos	GNO	18.00	11.25	17.00	4.50	36.00	18.00	6.75	1.11	1.28	1.80	9.00	1.67	.47 N	470.0	-5.0	1.4	29.8	.44	2.6	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	7.00	6.75	7.00	.25	3.70	9.00	6.25	-.12	1.43	8.90	.00	.27	-.95 F	-77.8	-16.0	.7	25.9	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	3.25	2.63	2.75	.00	.00	11.75	2.63	-.06	-.13	7.50	77.40	.44	-.20 N	-34.4	-10.0	8.6	7.2	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	40.50	37.63	40.13	2.00	5.25	52.25	33.25	.37	.93	-1.18	-23.25	4.00	.21 N	5.3	35.0	20.3	9.7	1.60	4.0	08-31-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	29.50	25.63	28.63	2.63	10.10	33.25	21.13	.67	-.04	.12	-1.48	2.92	.52 S	20.1	27.0	7.1	9.2	.74	2.6	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	43.00	37.50	43.00	6.00	16.22	48.75	32.25	.80	.26	9.91	-25.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	12.75	9.50	12.25	2.63	27.27	22.38	8.00	.91	2.56	4.66	21.76	.96	.00 S	.0	41.0	3.1	12.4	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	22.00	14.75	20.25	5.50	37.29	24.25	12.00	1.61	-.25	4.96	-22.86	2.74	-2.02 N	-66.6	3.0	3.9	20.0	.60	3.0	09-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	6.75	7.25	.50	7.41	9.38	5.25	-.10	.28	.77	6.74	.92	.13 F	16.4	64.0	3.2	7.9	.00	.0	08-24-81	39.1	1.3	.9	6.0	3	0880
Imperial Grp	IMT	1.25	1.13	1.25	.06	5.26	2.00	1.06	-.07	2.86	-3.27	54.92	.62	-.15 S	-21.1	28.0	2.1	2.2	.16	12.8	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	12.50	11.75	11.75	-.75	-6.00	13.25	7.63	-.21	-1.02	-2.04	42.06	1.34	.30 N	22.7	51.0	6.1	7.3	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.00	1.88	2.00	.13	6.67	3.38	1.75	-.17	1.56	.10	-50.00	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	3.25	2.88	3.25	.38	13.04	4.50	2.63	-.29	2.25	-2.26	-6.58	.35	.54 N	NC	-2.0	2.0	6.0	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0930
Jerrico Inc	JERR	22.50	20.00	21.63	1.63	8.13	27.63	13.59	-.14	.08	2.57	-4.48	1.70	.45 Q	32.6	24.0	5.6	11.8	.12	.6	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.25	4.00	4.13	.00	.00	4.38	3.25	-.11	.00	-7.58	35.53	.26	-.43 N	-143.3	-21.0	3.6	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.25	14.50	14.75	.00	.00	16.25	10.75	1.09	-.60	1.18	1.60	.58	.74 S	NC	148.0	5.9	19.9	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	2.25	2.00	2.25	-.25	-10.00	9.00	1.75	-4.30	.30	-1.36	-13.54	-.60	-.60 Q	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	28.25	27.50	27.50	.00	.00	28.25	17.00	.40	-.21	.05	-23.24	1.45	.27 F	22.8	24.0	8.9	19.0	.48	1.7	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	5.75	5.63	5.75	.13	2.22	7.28	5.00	.35	.24	2.43	-50.38	1.15	.08 Q	7.3	7.0	5.8	4.9	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	36.25	33.50	35.25	1.00	2.92	47.00	27.88	-.03	1.58	.70	-21.32	2.60	.59 N	23.9	28.0	4.2	11.6	.24	.7	09-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	72.88	65.50	67.38	1.50	2.28	72.88	43.38	.25	-1.94	.61	-9.33	5.49	1.03 N	19.4	19.0	10.1	10.7	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.38	9.00	9.13	-.25	-2.67	13.88	8.25	.14	.15	-5.27	16.32	.95	-.04 Q	-4.0	6.0	3.9	9.6	.32	3.5	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.75	2.63	2.63	-.13	-4.55	4.75	2.25	-.02	-1.14	-5.13	26.52	.19	-.65 S	-91.5	27.0	.5	43.8	.02	.8	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.00	1.00	1.00	.00	.00	2.38	.88	.43	.68	.58	50.00	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.00	9.00	9.00	.00	.00	12.25	9.00	-.34	.23	-4.67	.00	1.28	.71 N	63.3	19.0	1.0	4.9	.32	3.6	09-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	8.38	8.00	8.13	-.13	-1.52	9.25	5.00	-.08	.25	-4.89	9.86	1.05	.55 F	110.0	23.0	5.2	7.7	.15	1.8	08-20-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	14.75	14.25	14.63	-.13	-.85	19.00	11.88	-.14	.19	3.31	86.94	1.30	.25 F	23.8	13.0	6.1	11.3	.48	3.3	09-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.25	6.00	7.13	.13	1.79	11.50	3.88	-.13	3.96	1.94	-21.52	.59	.08 S	15.3	-3.0	1.4	11.9	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	16.63	14.00	15.88	1.25	8.55	19.75	9.88	.26	1.37	.82	-13.31	.60	-.25 S	-17.0	1.0	.8	13.0	.40	2.5	09-15-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.13	5.63	5.88	-.25	-4.08	12.50	5.25	.01	-.11	-1.19	16.71	.53	.70 N	184.2	33.0	4.1	5.4	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.13	4.75	5.00	-.13	-2.44	8.25	3.13	-.21	.55	-5.41	13.13	.64	.39 N	60.0	29.0	1.6	4.8	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	21.88	18.38	20.13	1.38	7.33	23.75	7.25	.34	.92	-.04	-15.19	2.36	1.05 Q	68.6	15.0	1.4	7.8	.44	2.2	08-17-81	819.0	11.6	.9	9.3	15	0681
Sambos Rests	SRI	2.88	2.50	2.75	.25	10.00	6.75	2.50	-1.04	.78	-.55	-15.59	-1.05	.63 N	NE	-63.0	-2.4	NE	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
SeaGalley	SEAG	9.38	8.50	8.63	.00	.00	17.88	5.16	-.17	-2.10	-2.81	13.18	.55	.69 N	NC	53.0	5.7	12.5	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.50	7.75	8.00	.00	.00	13.00	7.00	.09	.06	1.45	-4.05	1.10	1.32 S	185.9	22.0	2.5	3.9	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	13.75	13.25	13.63	.00	.00	14.16	9.75	.13	.10	.32	-21.48	.83	.16 N	19.7	20.0	5.6	14.0	.16	1.2	10-13-81	210.6	11.8	1.0	1.2	4	1080
Sonesta Hotel	SNSTZ	10.25	10.25	10.25	.00	.00	15.00	8.41	-.10	.27	-4.77	-50.00	2.24	1.56 S	127.8	101.0	3.6	3.7	.16	1.6	07-07-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2.94	2.81	2.81	-.06	-2.17	3.25	1.44	.19	-.60	-4.72	-49.56	-.03	1.10 N	NE	-28.0	-.2	11.7	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Treadway	TCO	.00	.00	12.25	.00	.00	12.38	6.25	-.19	.25	-19.35	.00	.70	-.30 N	-29.7	8.0	4.4	17.3	.28	2.3	06-29-81	22.7	1.0	.6	5.6	7	0880
Valles Steak	VLE	5.13	4.75	4.75	-.38	-7.32	7.63	4.25	-.55	-.76	-4.28	-12.96	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	9.50	8.38	8.75	.63	7.69	11.25	5.88	1.07	-.91	1.50	-11.94	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	7.88	7.63	7.88	.13	1.61	8.88	4.63	.09	.48	-3.21	20.45	-.05	.43 N	NC	-2.0	-.2	18.3	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	16.88	15.50	16.38	.88	5.65	19.38	8.59	.40	.08	3.49	19.74	1.34	.30 S	26.3	31.0	8.7	11.4	.28	1.7	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.88	7.13	7.50	.00	.00	13.63	6.50	.05	-.09	-3.47	10.47	-.49	-1.54 S	-111.5	-22.0	-.9	NE	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Wendy's net climbs 29% in third qtr.

DUBLIN, Ohio—Wendy's posted a 29% net profit increase to $10.6 million for the third quarter ended Sept. 30, compared with the same period last year. Revenues rose 46% to $133 million.

For the nine months ended Sept. 30, net profit jumped 24% to $27 million. Revenues for the nine months advanced 39% to $353 million.

Robert Barney, president and chief executive officer, said the "outstanding" performance in part reflected Wendy's acquisition earlier this year of several of its franchisees, among them Interpoint Corporation, operator of 64 restaurants in the Chicago-Milwaukee area.

Barney also cited higher per-unit volume and a lower beef cost as contributing factors to Wendy's third-quarter performance.

Average systemwide sales per restaurant for the third quarter were up by 10.3% to $179,600. Beef prices on average for the quarter were $1.12 a pound, a 10.4% drop from the prior year's third quarter.

Overall, systemwide sales for the nine months advanced 19.7% to $1.05 billion.

At the end of the third quarter, there were 2,158 Wendy's systemwide, of which 716 were company owned. Restaurants under construction at the end of the quarter totaled 91, including 31 by the company.

As of Sept. 30, Sisters International, Wendy's wholly owned subsidiary, had 11 Sisters Chicken and Biscuits restaurants in operation, of which six are company operated. Three Sisters units were under construction.

1st quarter net up 35% at Jerrico

LEXINGTON, Ky.—Jerrico Inc., operator of Long John Silver's Seafood Shoppes and Jerry's coffee shops, reported net profits rose 35% to $6.5 million for the first quarter ended Sept. 30, compared to the same quarter of the prior year.

Sales jumped 21% to $109 million.

Company-operated Long John Silver's units had average sales of $121,300, compared to $112,400 for the first quarter of the prior year. Average pretax earnings for company-operated restaurants were $25,000, up 17% from the prior year's period.

Jerrico said that after allowing for a weighted price increase of 8%, real sales growth for company-operated shoppes was 1% for the first quarter.

During the quarter, 28 Long John Silver's were opened, 16 of which are company-operated and 12 franchised. As of the end of the quarter, there were 1,152 Long John Silver's, of which 676 were company-operated and 476 franchised.

Jerrico said it expects to add a total of 135 Long John Silver's to its system during fiscal 1981. Of these, 85 would be company-operated.

Gino's earnings decrease 29%

KING OF PRUSSIA, Pa.—Gino's Inc., operator of more than 450 restaurants reported net profits of $2.5 million for the third quarter ended Sept. 30, a 27% drop from the comparable period last year.

Sales for the third quarter were $92 million up marginally from 1980 third-quarter sales of $91.7 million.

For the nine months ended Sept. 30, earnings were $0.9 million compared to $3.8 million during the same period last year. Sales for the nine months were $246.9 million compared to $243.3 million, a 1% increase over the same period in 1980.

Louis C. Fischer, chairman and president, blamed results on a decline in customer traffic, high interest rates, and start up costs associated with the recent introduction of the home-style hamburger.

Gino's also operates 113 Rustler Steak Houses and 43 Kentucky Fried Chicken Take Home Stores.

EARNINGS REPORT

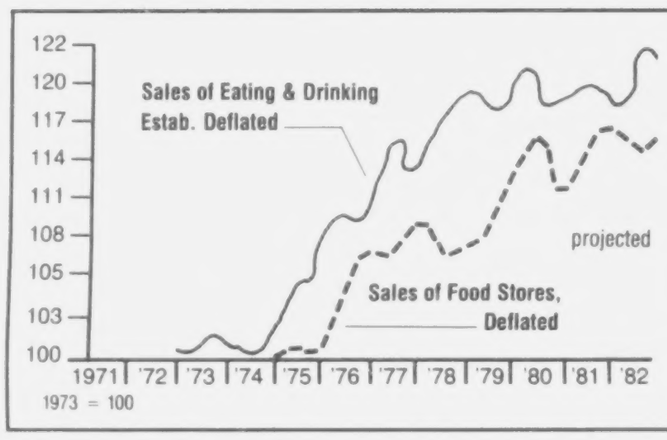
Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Denny's	13 wks.	9/25			$ 241.251	16	$ 10.704	41
Gino's	9 mos.	9/30	$ 246.893	1			0.866	–77
	3 mos.	9/30	92.043	0			2.493	–27
Holiday Inns	9 mos.	9/30			1,341.301	19	124.350	29
	3 mos.	9/30			488.288	17	57.679	50
Hungry Tiger	1 yr.	8/18	49.858	28			1.615	20
	3 mos.	8/18	12.149	29			0.427	24
Jerrico Inc.	3 mos.	9/30	109.278	20			6.526	35
McDonald's	9 mos.	9/30			1,880.223	14	203.625	21
	3 mos.	9/30			668.060	13	75.821	19
Ogden Corp.	9 mos.	9/30	1,733.362	7			48.164	9
	3 mos.	9/30	588.729	15			15.487	4
Sambo's	9 mos.	10/1			367.793	– 1	(29.825)	—
	3 mos.	10/1			125.354	2	(13.136)	—
Sea Galley Stores	9 mos.	9/30	36.185	124			1.669	80
	3 mos.	9/30	14.787	122			0.586	35
Wendy's Int'l	9 mos.	9/30			352.708	39	27.393	24
	3 mos.	9/30			133.336	46	10.606	29

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

L/F ECONOCYCLE

After year-end 'dip,' eat-out's set to roll



Eating & Drinking Estab.

Sales Change By Quarter

	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %	12-Month % Change '79 %	'80 %	'81* %
Sales include Inflation	10.2	9.3	8.3	7.2	7.4	11.4	9.0	7.1	13.0	9.0	9.0
Real sales (Deflated)*	0.0	–0.1	–0.9	–1.8	–2.1	2.1	0.7	0.5	2.0	–0.7	0.3

Base = July 1981 Sales
*Projected

Recent braking trends in sales, coupled with major revisions in the latest Government statistics, now point to a slower rate of general sales velocity in 1981 overall than forecast previously.

Total retail sales will probably match or edge slightly above 1979-80 levels, the latest Econocycle computations reveal.

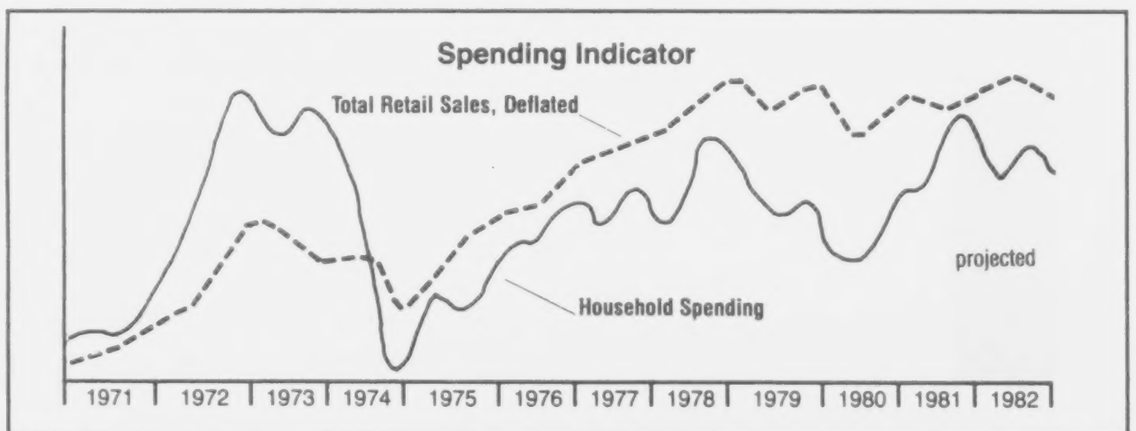
As a result, the L/F spending indicator (below) is also pegged lower than projected earlier in the year. But there still appear to be strong signs that consumer confidence—spiked by just initiated tax rebates—will pick up in 1982, at a steady, but slower rate-of-growth.

Total retail sales gains are expected to edge up about 2% over the next two months. This will depress the final quarter gains of 4% that were originally expected, according to the latest forecast-computations.

The L/F Econocycle projection for food service shows a continuing and gradual dropoff in sales velocity through the early winter months. The newest projections indicate marginal gains or flat sales through December and minor declines during the hard weather January-February period.

After that, food service should pick up speed again and show strong gains through the 2nd quarter and through the balance of 1982. The long-term outlook shows sharp gains well above '81 and year-end '79 peak levels, in fact.

This compares favorably to other retail sectors where the forecast continues "spotty" for the balance of 1981. Department stores will pace all retailing with solid 3% to 4% increases; specialty stores with roughly 2% to 3% hikes. But discount and general merchandisers show a softening trend through year-end that will continue flat into early 1982.


Spending Indicator
Total Retail Sales, Deflated
projected
Household Spending
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	– 6.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	– 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	– 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q*	9.4	8.7	9.0	7.8	7.9	2.7	7.3	9.4	7.5
	4Q*	7.4	7.6	7.1	0.6	4.5	1.6	5.5	6.1	5.0
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	– 3.2	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	9.0	8.0	8.0	5.0	8.0	9.0	8.0

Real Sales (Deflated)*
% Change By Quarter

1980	1Q	– 1.2	5.8	0.0	– 2.6	3.8	4.9	–1.4	1.9	1.8
	2Q	– 5.0	4.9	– 0.1	–17.6	2.0	– 3.4	0.5	– 2.4	– 2.0
	3Q	– 4.2	2.0	– 0.9	–18.5	0.5	– 5.8	–0.2	– 3.4	– 3.3
	4Q	– 2.9	– 0.6	– 1.8	–10.4	3.9	– 1.1	1.5	– 2.0	– 1.1
1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q*	1.9	1.6	0.7	0.5	– 1.0	– 3.0	3.5	3.6	2.1
	4Q*	1.8	4.6	0.5	– 6.1	– 2.9	– 4.9	2.8	1.2	0.2
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	– 3.0	3.0	– 0.7	–12.0	2.0	– 1.0	0.1	– 1.0	– 1.0
	1981*	2.0	1.0	0.3	– 0.3	– 0.9	– 0.7	4.0	3.0	2.0

Base = July 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

PROFILE: DENNY'S INC.

The front-running coffee shop chain—Pages 47-8.

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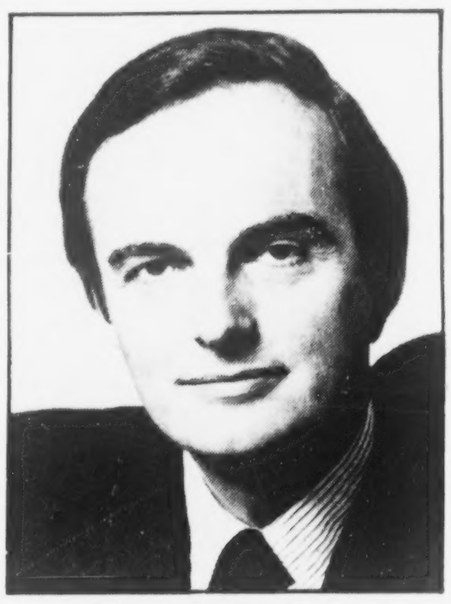
Hostage to guide new era at HoJo

G. Michael Hostage



Howard B. Johnson

Leadership passes outside founding family for 1st time as Howard B. Johnson resigns

By Charles Bernstein

BRAINTREE, Mass.—G. Michael Hostage, 48, will become chairman and president of the Howard Johnson Company Jan. 1. He held these same posts at ITT Continental Baking for the last three years and previously was Marriott restaurant group president and then corporate executive vice president.

This marks the end of an era—the first time since the family company's founding that an outsider will be in charge. The late Howard D. Johnson launched the company in 1925 and his son, Howard B. Johnson, has been chairman and president since 1964.

Johnson, 49, said he was resigning "by mutual agreement" and that it is time for him to look after his family interests and businesses. Other sources asserted that it also was "time for new thinking and different directions" at HoJo.

Imperial Group Ltd., an $8 billion volume British conglomerate which paid $630 million to purchase HoJo 1½ years ago, has been plagued by problems of its own in the unsteady British tobacco market. It also has a frozen foods manufacturing division, a wine and beer division, a leisure division of British hotels, restaurants and pubs, and paper and plastics holdings.

An Imperial spokesman in London insisted there was no

(Continued on page 133)

1982 strategy unveiled

McD emphasizing new product tests

***NRN* Special Report**

OAK BROOK, Ill.—New product testing plays a significant role in McDonald's 1982 marketing strategies designed to fend off increased competition from other fast-food chains and provide a significant boost to average unit sales.

The plans were unveiled to key food-service securities analysts invited to a recent meeting with top company officials at corporate headquarters here.

Testing of the McRib barbecued pork sandwich and Chicken McNuggets, both introduced on a limited basis earlier this year, will be expanded in the next three months.

McDonald's has taken drastic action to save the troubled McChicken sandwich from a fate suffered by the three-year-old chopped beefsteak sandwich that was removed from menus Nov. 1. The chicken sandwich, now available in 4,000 units, has been criticized by customers for a lack of consistency, flavor, quality, and proper seasoning.

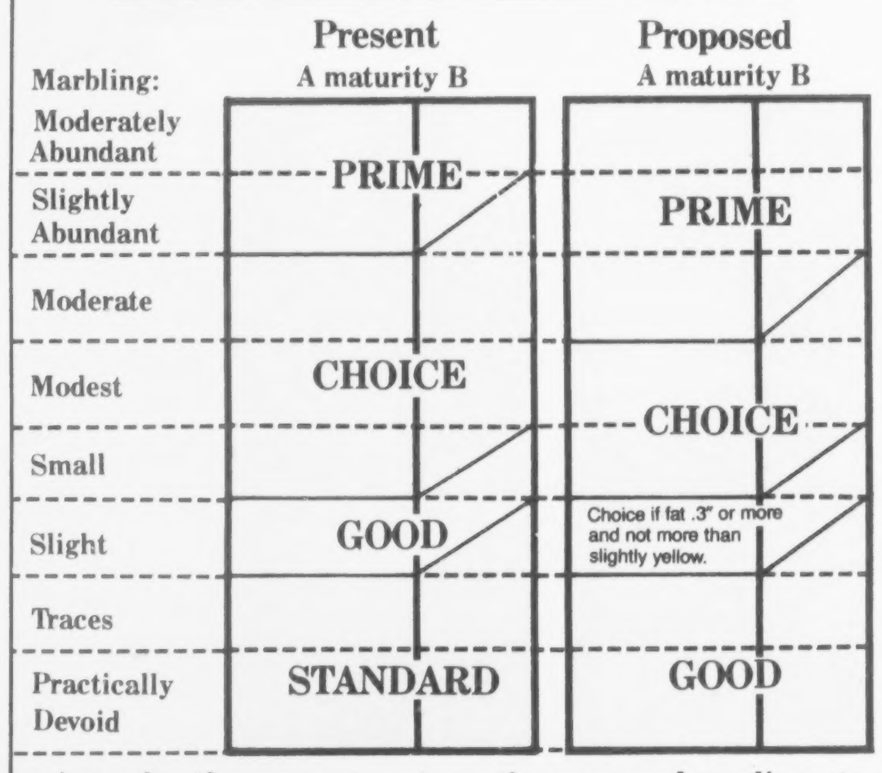
Officials said the company is reformulating the product, which is generating 4% to 5% of total store sales but providing only 1% to 2% of incremental volume.

Chopped beefsteak was introduced in 1978 and was viewed originally as a way to increase dinnertime traffic. Supported by a considerable amount of television advertising, the beefsteak sandwich had only a marginal impact on sales, accounting for between 1% and 2% of total sales in units where it was available.

(Continued on page 134)

Beef proposal may signal price surge

NCA BEEF GRADING PROPOSAL



As under the present system, the proposed grading standards would require that all "B" maturity carcasses have additional marbling to qualify for a given grade.

WASHINGTON—The cattle industry's controversial proposal to water down U.S.D.A.'s beef grading standards will add hundreds of millions of dollars to the United States bill each year, according to an unreleased economic impact study prepared for the National Restaurant Association.

(Robert Bradford, NRA president, and John Rian and other leading NRA members were scheduled to voice their views at presstime at a National Cattlemen's Association meeting in Portland, Ore. The NRA officials were invited by the cattlemen's group.)

Those direct price increases are only part of the inflationary surge likely to stem from pending Agriculture Department beef grade changes, the new analysis contends. In addition restaurants and other meat purchasers will be hit with sharp increases in procurement

(Continued on page 133)

LATE NEWSBREAKS

Sambo's closed some 330 "unprofitable" restaurants in virtually every state during a two-week period before Thanksgiving. The chain retrenched to continue operating some 780 restaurants.

Host International has accepted a $29.25-a-share acquisition bid by DFS Group Ltd., which tops a surprise $29 bid by Marriott and DFS' own earlier $24-a-share offer. Marriott's acquisition talks with Gino's are continuing.

Jack Penrod, president of Wuv's, is slated to be closely involved with the projected deal in which shopping mall developer Taubman Co. would acquire A&W from United Brands. Wuv's and A&W might be merged together, *Nation's Restaurant News* learned. Penrod and others declined comment.

Playboy is selling money-losing resorts in Lake Geneva, Wis., and Great Gorge, N.J., for $42 million to Americana Hotels and Chicago real estate man George Golub.

Industry fears Ohio soda tax

By Ken Rankin

COLUMBUS, Ohio—Restaurant soft drink costs will rise as much as 8¢ per serving throughout Ohio as a result of stiff new excise taxes on pre- and postmix syrups, with threatening national implications, that was signed into law by the Governor late last month.

The legislation, which took effect immediately under emergency provisions in the bill, imposes a statewide tax of 25¢ per gallon on premix soft drink syrup and a whopping $2.75 per gallon tax on postmix syrup.

Although bottlers and wholesalers will be required to pay the excise tax directly, the real impact of the new $69 million a year syrup tax will be felt most heavily by Buckeye food-service operators, officials at the Ohio State Restaurant Association said.

Calling the new soft drink tax "discriminatory," anticompetitive and "a disaster for Ohio restaurants," OSRA executive secretary Robert L. Henry is attempting to rally food-service operators in and out of the state behind a drive to repeal the legislation.

"This new syrup tax isn't just a problem for Ohio operators," Henry told *Nation's Restaurant News*. "Dozens of states are in major financial trouble, and if a $69 million soft drink tax is allowed to stand here, you can be sure that similar legislation will spring up in other parts of the country."

At least one other state—

(Continued on page 133)

The next issue of *Nation's Restaurant News* will be published Jan. 4 and will highlight 1982 forecasts and trends. Only one issue is published in December, and *NRN* is biweekly throughout the rest of the year.

Season's Greetings From the NRN Staff

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Quaker Oats seeks to sell Magic Pan; losses cited

By Susan Spedalle

CHICAGO—Quaker Oats says it is interested in selling all or part of its restaurant division, which includes the 92-unit San Francisco-based Magic Pan.

The restaurant division "has not been a profitable business," said William Smithburg, Quaker Oats president and ceo, at the annual meeting in Chicago last month. Division sales slumped from $88 million in 1980 to $83 million in fiscal year 1981, which ended June 30.

Speculation about a possible buyer centers on the Campbell Soup Co., which says it would be interested in acquiring at least some Magic Pan units to convert to its casual fun-type H. T. McDougal's concept.

Campbell's has already purchased four Engine House Pizza units from Quaker, transforming them into Pietro's Gold Coast Pizza.

While Quaker concentrates on immediate divesture of its Proud Popover and Engine House Pizza chains, it is also taking action apparently aimed at making Magic Pan more salable.

Shifting the emphasis from the crepe to stews and casseroles such as Hungarian goulash and chicken cacciatore, the company recently introduced 12 new items into its 92 units with a special two-for-one offer.

The current menu, which was at peak popularity back in the 60's, attracts a mostly female audience between the ages of 30 and 45.

"Customers' tastes have changed," said Tim Ryan, vp of marketing for the chain, our menu is broader with these additions, but our emphasis will always be on the crepe."

The restaurant division has had a history of small advertising budgets, and fanfare for the new items will be kept to a minimum in print and television mediums.

"Any increase in expenditure will be from a low base," said Smithburg.

One spokesman said that Magic Pan's "possible sale" is nothing more than the selling of a few units, mostly mall-based, which do not have the correct demographic mix or environment for a Magic Pan.

A spokesman from Campbells' said that Magic Pan "has some excellent mall locations," which the company finds appealing. He added that Campbell's would like to expand the H. T. McDougal's concept beyond its three Northeastern units.

The four recently transformed Engine House Pizza's purchased by Campbell's were in the Seattle and Portland area where the entire 30-unit Pietro's chain is based.

Campbell's did not acquire the remaining two Engine House units because they lie outside the north Pacific region.

When asked why Engine House Pizza's were not profitable for Quaker, Mead Montgomery, vp of customer sales, said that the product, which was tailored to the tastes of the Pacific Northwest, was not successful outside that area. Since growth of the chain looked unlikely, the company decided to sell the existing units, he said.

Proud Popovers, Quaker's other concept, is still four units strong. The early American themed full-service dinnerhouse "just didn't seem to strike people's fancy," said Montgomery.

Magic Pan is shifting their menu from crepes, which attract a female clientele, to stews and casseroles.

Breakfast program introduced at Gino's

KING OF PRUSSIA, Pa.—Gino's has introduced a breakfast program into mid-Atlantic coastal region units, which comprise most of the chain.

The new menu includes a sandwich called "the scrambler," scrambled eggs and cheese on a toasted english muffin with a choice of sausage, bacon or ham for $1.20. Hash browns and scrambled egg, as well as pancake platters, include a choice of breakfast meats and are priced at $1.69.

Testing done last May in the Greater Baltimore Area at 50 stores showed that customers preferred a scrambled rather than a fried egg, a choice of meat and a fruit item. Gino's has also added a fruit cup of grapefruit, orange and pineapple chunks, orange, grapefruit or tomato juice, steamed danish pastries, english muffins with jelly and individual servings of hash browns.

School lunch cuts sent for Reagan O.K.

WASHINGTON—A new set of Federal school lunch program cutback proposals stripped of several earlier controversial provisions has been sent to the White House for final clearance.

The original plan proposed by U.S.D.A.'s Food and Nutrition Service earlier this year called for allowing local school districts to sidestep current Federal nutrition standards by reducing meal portion sizes and serving condiments such as ketchup or relish in place of vegetables.

That proposal was promptly withdrawn in response to a nationwide protest, and Agriculture Department officials redrafted the plan.

Although full details of the new school lunch cutback plan were still under wraps pending White House approval at presstime, Food and Nutrition Service administrator William Hoagland told Congress that the more controversial sections had been eliminated.

In addition to dropping the condiment plan, Hoagland indicated that under the new proposal portion size standards will not be reduced. The latest version will, however, allow students to request smaller meal portions at their option.

The aim of the Reagan Administration proposal is to provide local schools with additional meal planning flexibility to offset recent Congressionally approved reductions in Federal funding for the program.

Excessive "plate waste" caused by forcing schools to serve larger meal portions than some students can eat has long been a target of criticism in the program.

According to Hoagland, President Reagan is considering as many as four different options for relaxing Federal school feeding program requirements.

Upgrades breakfast program offerings

Jack-in-the-Box tests croissants

SAN DIEGO—The ubiquitous croissant has finally appeared at a large fast-food chain as part of a limited test of several new breakfast items by Jack-in-the-Box.

The four filled croissant items and a whole wheat muffin have "adult appeal," according to Tim McGrew, director of research and development for the 800-unit chain.

Testing is now in the embryonic stage, with 16 units in Phoenix and Houston participating. The company plans a much larger test next year once operational snarls have been resolved and the items' marketing potential has been identified.

An upgraded breakfast program, McGrew said, is intended to increase customer counts. Observers of the company claim that counts have slackened in recent years as more chains, spurred by McDonald's mounting successes, have started breakfast.

Average checks should be unaffected by the new items, whose prices are consistent with the present average breakfast check of between $1.09 and $1.49, McGrew said.

Various Fillings

The four croissants will come with various fillings: sausage and egg, bacon and egg, ham and egg, and ham, bacon and cheese.

One advantage of the program McGrew said, is that it involves none of the kitchen renovations sometimes required for the rollout of a new product.

To ensure that the new items attract new customers instead of merely encouraging old customers to trade off from old items, the company plans to "vigorously" promote them during the next stage of testing.

This next stage, which comes soon after McGrew issues his initial report at the end of the year, will probably, he said, involve an entire major market. The major market chosen will probably be in the Southwest, the principal target of Jack-in-the-Box's new franchising drive.

Although McGrew expects "a high proportion" of the customers attracted to its new items to use Jack-in-the-Box units' drive-up windows, he added that the company does not plan to streamline window service.

Long menu competition under way

NEW YORK—How long is the longest menu? One hundred items? Two hundred? Three hundred? Four hundred?

There's no telling how large a menu can emerge in this age of proliferating items and broadened market reach.

To determine who indeed can claim the longest menu in existence, *Nation's Restaurant News* is launching a contest. Any restaurant that feels it might qualify for one of the longest menus is urged to send its dinner and/or luncheon and breakfast menus to: Menu Contest Editor, *Nation's Restaurant News*, 425 Park Avenue, New York, N.Y. 10022.

Cash prizes will be awarded for the three longest menus submitted.

HIGHLIGHTS IN THIS ISSUE

Denny's Inc., currently the nation's fastest-growing coffee shop/family-restaurant chain, is the subject of *NRN*'s annual December company profile. *Pages 47-86.*

Coffee shop/family-style restaurants are not meeting growth expectations. In an editorial *NRN* editor Charles Bernstein probes the problems. *Page 6.*

The holiday season is a traditional time for increasing volume and profits. Wine and spirits columnist Mort Hochstein provides some profitable ways to raise spirits. *Page 18.*

When it comes to remodeling, restaurant designers agree interior design is the key. At a recent *NRN*-sponsored seminar, leading designers shared their views on remodeling. *Page 90.*

Improving communications between executive chefs and management can alleviate some food and beverage problems at many hotels, according to panelists who discussed mutual experiences at last month's International Hotel/Motel and Restaurant show. *Full coverage on pages 27-30.*

Maintaining quality at reasonable prices is a tough challenge, independent restaurateurs agreed at the annual Travel/Holiday awards reunion. *Page 42.*

Pioneer Take Out is cutting back on growth plans and considering new financing schemes due to tight money. *Page 38.*

Cindy's is undergoing operational changes to improve its financial status and prospects for a possible sale. *Page 11.*

Eastern-style delicatessens are popping up in West Coast industrial parks to fill a need for convenient lunch spots. *Page 113.*

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Vol. 15, No. 25 December 7, 1981

COMMODITIES

Meat major exception to steady rise in costs

NRN Special Report

Despite consistent drops throughout the summer and fall in food-from-the-farm prices, the costs to operators have continued to rise steadily, with only a few significant drops to relieve the upward tide. One of the major exceptions has been meat, with beef, pork and poultry all showing drops during the early fall months.

Hog prices—and therefore pork—dropped dramatically during the middle of November, as production increased, despite forecasts of reductions. U.S. Department of Agriculture economists said it was the old law of "supply and demand" working; farmers had watched the late summer rise of hog prices and decided to cash in on them, bringing hogs to slaughter in larger numbers than anticipated. As a result, hog prices fell and have stayed depressed until the inventory of pork can be consumed.

Much the same thing happened to beef. Although the pipeline times are longer for cattle, a larger number were placed on feed when the summer prices were high. These cattle are now about all slaughtered, so the prices of beef should start to rise again during December.

Poultry prices have been depressed compared to last year because of greater production by raisers. Broilers have been running between 8% and 10% lower than a year ago. Turkey inventories are extremely high for this time of year and both Thanksgiving and Christmas prices should be lower.

Vegetable Pack Disappointing

In general, the vegetable pack this year was disappointing, and the drop in stocks have been translated into a number of price increases by the packers. There have been some exceptions to the general rise, however. Overall dried bean inventories are high, with prices the lowest in some years. Even heavy Mexican buying at the beginning of the crop season did not push prices up substantially. The U.S. Government has increased dried bean purchases for school and other domestic donation programs by about 500% to put a floor under the prices.

While heavy supplies of tomatoes coming from California, plus good Florida supplies, have dropped fresh vegetable prices during November, the price of canned tomatoes and tomato products continue to creep up. Fancy California ketchup is up 26% over last year; paste and puree had similar rises, due to high field prices based upon a short canning tomato crop.

PRICE MOVEMENT AT A GLANCE

	Nov. 13, 1980	Oct. 13, 1981	Nov. 13, 1981
Broilers, Grade A, ice pack, N.Y.C. (lb.)	$ 0.5228	$ 0.4813	$ 0.4595
Ketchup, Fancy, Calif. (6/10)	$12.15	$15.80	$16.45
Coffee, green beans, N.Y.C. (lb.)	$ 1.25	$ 1.28	$ 1.47
Corn, cut, frozen, Fancy, Calif. (lb.)	$ 0.37	$ 0.46-0.47	$ 0.49
Eggs, large white, Grade A, Chicago (doz.)	$ 0.7475	$ 0.705-0.71	$ 0.795-0.80
Orange juice concentrate, Florida (lb. bulk)	$ 0.89	$ 1.265	$ 1.18
Pepper, black, N.Y.C. (lb.)	$ 0.90	$ 0.68	$ 0.67
Pork loins, 14-down, Midwest (lb.)	$ 0.89	$ 0.01	$ 0.91
Sugar, cane, refined, N.Y.C. (lb.)	$ 0.5110	$ 0.2610	$ 0.2710
Tomatoes, fresh, Calif., 5/6s (flat)	$ 5.00	$ 6.00	$ 4.00

Source: *NRN* Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Grace claims worst is over for Del Taco and Far West

By Charles Bernstein

COSTA MESA, Calif.—When W. R. Grace acquired one restaurant chain after another in the late 1970's its goal was to be No. 1 in each major market segment.

Today that goal is proving extremely elusive as overexpansion, a rapid turnover of executives in some of Grace's chains and constant repositionings have made things tough. It's even gotten to the point where reports fly around every week that offers are being made to buy the chains and that Grace may want to sell.

"Our restaurant chains are most emphatically not for sale," declared corporate chairman J. Peter Grace. "There's a real turnaround taking place at Del Taco and at Far West's dinnerhouses, and we're in this for the long pull under group president Anwar Soliman. Our other restaurant chains are fine."

He conceded that profits and return on investment from the restaurant group are "obviously inadequate" but added that "this will change to a better picture."

The group is expected to show a $6 million net profit on $600 million sales this year, compared with last year's loss (because of Dal Taco's estimated $9 million loss) on $525 million sales. But the 1% profit to sales ratio and 5% estimated return on equity are far below corporate goals which call for a 20% ROI.

Plans to double the number of Grace restaurants over the next five years have been shelved in favor of boosting the unit volumes and profits.

Del Taco is nowhere near challenging Taco Bell for leadership in the Mexican fast-food segment and is trying to grow again after trimming down to fighting weight. El Torito finds itself partially outflanked by other emerging Mexican dinnerhouse chains. Coco's and JoJo's are being outpaced by Denny's, Bob's Big Boy and others in the coffee shop/family restaurant market. Reuben's, Plankhouse and various Far West dinnerhouses are running well behind the leaders in the chain dinnerhouse market.

The strongest chain in Grace's arsenal, Houlihan's (Gilbert/Robinson), is fighting TGI Friday's for pre-eminence in the casual dining market and is proving an especially bright spot for Grace.

Grace's efforts to operate so many diverse chains may be part of the problem, but it goes deeper than that.

Personnel turnover at Far West and Del Taco have made it difficult to establish continuity until now. With a new team now in place at these chains, a rebuilding process has started that Grace is determined will bring them back to a healthy return on investment.

"They finally have their key people in place," said one source close to Far West Services. "The new team has to be given a chance to turn things around."

The turmoil at Far West seemed to come after John McIntosh, the entrepreneur and founder who had run things for 30 years, left the operation. Grace named Edwin Weber as Far West president 2½ years ago, and then Weber left this spring after being stricken with an illness. (It may have been time for a change anyway.)

Vincent Kikugawa, 38, former head of Hosts International's dinnerhouses, has been brought in to head Far West's dinnerhouses while John Weaver moves over from operations executive vice president for the Grace restaurant group to head Far West's Coco's and JoJo's.

The some 100 dinnerhouses are averaging only $1.1 million annual per unit sales—considerably below par in this market. Some of the older Far West dinnerhouses are showing declines. But they do have potential if they can be converted to a streamlined concept, since the leases for these old units were signed at low rental terms.

"You're bound to have some weaker dinnerhouses in a big mix," said Anwar Soliman, president of the Grace restaurant group and of the new Grace Restaurant Co. (Far West, El Torito and Gilbert/Robinson), which was created to give these chains more combined real estate and financial clout.

He indicated Grace would concentrate on solidifying the basics "on the dinnerhouses menus, operations, people and training. There is no one thing wrong with these restaurants. It's just a matter of finding the right combinations and emphasizing the basics."

While Far West tries to project an individual image in many markets, its scattering of dinnerhouse, specialty restaurant and theme restaurant names and concepts may do it more harm than good. These include Reuben's, Plankhouse, Moonraker, Moorings, Summerhouse, Gorda Liz and Baxter's and Dunbar's casual restaurants, and McFadden's seafood houses.

The policy has veered back and forth. At one time "entertainment-theme" restaurants were supposed to be the answer. More recently, a streamlined Baxter's theme, Dunbar's or McFadden's was to replace many of the dinnerhouses.

(Continued on page 134)

IDQ set to acquire Golden Skillet chain

By Donald Frazier

RICHMOND—International Dairy Queen has agreed to acquire the 221-unit Golden Skillet chain for an undisclosed sum, according to officials of both companies.

The sale was slated to be ratified in a Nov. 28 meeting of Golden Skillet shareholders. The family of recently deceased company founder C. W. Guthrie, which negotiated the agreement, owns or controls more than 90% of the company's stock.

International Dairy Queen plans to continue operating the fast fried chicken chain under the Golden Skillet name, IDQ president Harris Cooper said.

He also plans to actively franchise the concept which is now located mainly in Virginia and the Carolinas. Although Golden Skillet now operates a few company-owned stores, the chain will be entirely franchised when it falls under IDQ's control this month. The modest size of the chain has hindered its ability to market or expand effectively and has limited its purchasing power, president Joseph Guthrie said. Its 1981 sales have been estimated at $55 million.

An average Golden Skillet unit posts annual sales of about $260,000. But this amount, Cooper stresses, is weighed downward by the several marginal and old-fashioned units, many dating from the chain's birth in 1963.

At $3.50, its average check per person exceeds that of other chains in its segment.

The move is IDQ's first acquisition outside of the soft-serve ice cream market. The company has for the last few years been searching for a viable noncompeting chain which could benefit from IDQ's hefty resources.

Cooper feels IDQ will be able to assist Golden Skillet's growth in several areas, such as marketing, purchasing and distribution, insurance, site selection and operations.

Advertising will play a key role in the planned expansion of Golden Skillet, Cooper said. The new licensing contract will include a requirement that franchisees contribute to the promotional effort in their market.

For this reason, Cooper said, initial expansion efforts will be aimed at filling in existing Golden Skillet markets to maximize the benefit of advertising.

Cooper also anticipates the eventual diversification of the Golden Skillet menu, which is now limited to chicken and complementary dishes such as coleslaw, beans and potato salad. In particular, he anticipates the development of a "country breakfast."

Golden Skillet's outstanding debts may have played some role in convincing the Guthrie family to place it on the block.

IDQ plans to establish a training center for Golden Skillet near its Minneapolis headquarters.

It will also retain several Golden Skillet officials. Charles Cocotas, Golden Skillet's executive vice president and Glenn Lindsay, its head of research, development and training, will continue in these capacities for IDQ's new Golden Skillet staff.

Meanwhile, members of the Guthrie family including Golden Skillet president Joseph Guthrie and purchasing vice president Jim Guthrie, will become Golden Skillet franchisees.

Trying to catch up to other pizza chains

Shakey's adds to menu, remodels

By Diane C. Farewell

DALLAS—Shakey's Pizza is trying to broaden its market with unit remodeling, pan pizza, and pasta dishes.

These moves are part of a continued turnaround effort by the chain, which is owned by Hunt International, and which has posted increased profits and higher sales for three consecutive years.

Industry observers and some franchisees are skeptical, however, of the amount of progress actually made. Despite obvious gains, they say, Shakey's is falling behind newer, more aggressive chains in both sales and number of units. The company, which was a pioneer in the pizza segment, now ranks fourth behind Pizza Hut (3,950 units), Pizza Inn (750 units), and Godfather's (640 units). Competitors estimated Shakey's 1980 systemwide sales at $148 million which would put them fourth in this category too.

Shakey's has 500 units worldwide. Since 1977 the number of company owned units has dwindled from 85 to 50.

Shakey's doesn't see this as a problem. Alan Kinsella, manager of marketing services, said the company would "grow at a rate comfortable to Shakey's which may or may not be as fast as other pizza chains."

Not only has Shakey's lagged behind in unit growth and sales, but also with menu development. Pan pizza was just introduced this fall more than 18 months after Pizza Hut rolled out the product.

The pan pizza was rolled out after more than two years of research and testing. In test markets the product achieved 12% to 15% of total pizza sales and increased overall sales.

Shakey's president Louis Cappello said the pan pizza answers a consumer demand for better price/value. He said that except for a special dough blend, no new food inventory items were required, and only minimal equipment additions were needed. Shakey's expects the pan pizza to be in most of its units by Spring, 1982.

Other menu items introduced by the chain over the last year have been pasta, spaghetti, lasagne and manicotta. These items are used in varying degrees throughout the system.

In addition to the menu, the company has been trying to change its image to more of a family style restaurant. The majority of the system's units have already been remodeled and are no longer typified by long benches and picnic tables.

Continuation of this program, plus increased emphasis on local advertising and ongoing menu expansion are expected though the coming year.

FINANCIAL NEWS

Chart House 3rd qtr. net rises 18%

LAFAYETTE, La.—Chart House Inc., operator of Burger Kings, Chart House, Cork 'N Cleaver, Cisco's Cafe and Luther's Bar-B-Que restaurants, reported net income rose 18% to $5.5 million for the third quarter ended Sept. 30 compared with the same period last year.

Revenues rose 13% to $93 million.

For the nine months ended Sept. 30, net income increased 19%, to $12.4 million, on a revenue increase of 15%, to $263 million, compared to the first nine months of 1980.

The company attributed the "consistency" of results in 1981 to a continuation of stabilized meat prices and growth in the company's in-store management.

Chart House said its Burger King division—with 367 units, the company is the largest-single franchisee of BK's in the United States—is preparing to roll out Burger King's veal parmigiana specialty sandwich.

Chart House also said it would continue converting selected Cork 'N Cleaver steak restaurants to Cisco's Mexican dinnerhouses, though Cork 'N Cleaver, now numbering 60 units, will remain "a viable entity."

There were nine Cisco's in operation at the end of the quarter. By year's end, a total of 13 will have been converted, Chart House said. Meanwhile, construction of a new free-standing prototype Cisco's has begun, and Chart House projects opening six such units over the next 12 months.

Chart House also had nine new Chart House restaurants under construction, at the end of the quarter. Most of these are scheduled to open in 1982. There are currently 45.

Plans for the company's most recent acquisition, Luther's Bar-B-Que, are now being drafted. Chart House acquired all of Luther's stock in October.

Luther's operates six and franchises three limited menu restaurants featuring beef brisket, pork ribs, sausage and chicken.

Chart House's various concepts are located in 31 states and the U.S. Virgin Islands.

Calny shortens its name

SAN MATEO, Calif.—Calny Inc. is the new name of Calny Food Services.

The company said that consumer confusion over the meaning of the old name led to the change.

Calny operates 46 franchised Taco Bell restaurants in northern California and Nevada and nine buffet style restaurants in California and Hawaii under the names Okie Frijole, Perry's Smorgy and Early California Buffet.

Regional pizza chain files Chapter XI

BERKELEY, Calif.—Cal-Lewis Inc., operator of five J. J. Mills Pizza n' Seafood restaurants and a Pizza Cove restaurant, has entered Chapter XI

Pizza Inn earnings soar 30%

DALLAS—Pizza Inn, operator of 750 pizza restaurants, reported net earnings rose 30% to $480,000 from $369,000 in the third quarter ended Sept. 27.

Revenue increased 14% to $36 million.

For the first nine months, net earnings increased 5% to $1.36 million. Revenues were up 13% to $103 million.

Average restaurant volumes during the third quarter increased 16.5% over the third quarter of 1980. Average annual unit volumes were estimated at $275,000 for 1980.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Nov. 20							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days							Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	6.88	5.88	6.00	-.88	-12.73	10.63	5.38	-.32	-3.90	-1.30	6.52	.34	.02 N	5.8	14.0	5.8	16.7	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	15.38	13.38	14.13	-1.25	-8.13	21.88	10.00	.12	-1.03	-3.06	8.41	1.67	.40 F	31.4	73.0	6.3	8.5	.20	1.4	07-27-81	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	27.00	25.00	25.00	-1.50	-5.66	37.25	23.75	-.03	-1.16	.06	17.42	5.33	-.36 N	-6.8	7.0	2.3	5.1	2.00	8.0	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.13	4.88	4.88	-.25	-4.88	8.63	4.38	-.28	-1.76	2.82	-11.07	.80	-.37 N	-36.6	-2.0	3.3	7.6	.12	2.5	09-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	4.13	3.38	3.38	-.75	-18.18	4.88	1.63	.71	-1.95	8.28	59.63	.47	.14 S	31.8	41.0	2.3	5.8	.00	.0	00-00-00	47.7	1.1	8	1.8	2	1080
Bob Evans Farms	BOBE	20.25	20.00	20.25	.00	.00	22.69	15.19	-.33	.06	1.92	28.55	1.35	.29 S	26.1	33.0	9.1	14.5	.40	2.0	09-21-81	125.2	11.4	1.7	0	5	0480
Bonanza Intl Inc	BNZA	2.19	1.75	1.88	.00	.00	6.88	1.75	-.50	-2.27	2.01	-54.06	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Calny Food	CLNY	11.75	11.25	11.50	-.25	-2.13	15.50	8.50	-.24	-.33	13.20	3.11	1.35	-.07 S	-4.5	8.0	2.2	7.9	.20	1.7	10-28-81	41.7	9	4	14.4	6	0281
Carrols Develop	CRL	6.25	5.63	6.00	.00	.00	12.88	4.38	-.34	.32	.57	-4.65	.95	.49 Q	75.3	34.0	2.4	5.3	.09	1.5	12-24-81	75.6	1.8	7	11.1	5	0581
Chart House	CHHO	20.63	20.13	20.25	-.63	-2.99	22.88	10.06	.24	-.25	.69	-11.76	1.75	.28 N	16.5	12.0	4.9	10.3	.52	2.6	07-16-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	20.50	18.13	18.50	-2.00	-9.76	27.25	11.94	.09	.07	8.33	15.16	.46	.34 Q	161.9	35.0	12.9	33.6	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.50	11.75	13.38	1.13	9.18	13.75	6.00	.34	1.90	-2.92	28.52	.66	-.03 F	-4.3	8.0	2.7	20.3	.40	3.0	06-24-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	27.50	26.63	27.13	.25	.93	37.38	23.25	-.08	-.16	-.77	-43.28	3.01	.55 N	18.7	24.0	9.9	7.8	.84	3.1	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.13	3.00	3.00	.00	.00	4.63	1.50	.68	-1.44	1.68	-13.07	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	12.38	11.63	11.88	-.25	-2.06	14.91	7.13	-.02	-.21	-4.93	-30.68	1.56	.23 Q	15.0	10.0	2.8	6.7	.24	2.0	10-26-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7.88	7.25	7.75	.50	6.90	10.13	5.00	.26	.00	10.24	-6.85	-.08	.07 Q	NC	NE	-1.5	110.7	.00	.0	00-00-00	6.8	-.1	8	6	1	0581
Dennys Inc	DEN	30.13	26.25	29.63	.38	1.28	31.75	17.13	-.17	1.94	-.71	-6.81	2.96	1.12 Q	54.6	5.0	3.2	9.3	.88	3.0	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.88	13.63	13.63	-1.00	-6.84	18.25	9.34	.22	-1.07	-2.99	-23.62	1.53	.35 N	24.6	21.0	8.2	7.7	.30	2.2	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.75	8.25	8.50	-.13	-1.45	9.00	4.75	.85	-.15	-.66	61.54	1.45	.71 Q	66.9	13.0	3.0	4.8	.38	4.5	11-30-81	97.0	2.9	1.2	7.5	13	0581
Ginos	GNO	18.25	14.50	16.75	-.25	-1.47	18.25	6.75	.92	2.88	-2.59	-2.86	1.67	.47 N	470.0	-5.0	1.4	29.4	.44	2.6	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	7.00	6.75	6.75	-.25	-3.57	9.00	6.25	.02	-1.45	11.11	42.86	.27	-.95 F	-77.8	-16.0	.7	25.0	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	2.88	2.75	2.88	.13	4.55	11.25	2.63	-.10	-.22	1.59	7.69	.44	-.20 N	-34.4	-10.0	8.6	7.6	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	40.63	38.75	38.88	-1.25	-3.12	52.25	33.25	.29	-.41	-1.75	-25.18	4.00	.21 N	5.3	35.0	20.3	9.4	1.60	4.1	08-31-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	29.75	28.50	29.38	.75	2.62	33.25	21.13	.60	-.13	-.41	28.90	2.92	.69 N	23.6	28.0	7.1	8.1	.74	2.5	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	44.13	42.25	43.00	.00	.00	48.75	32.25	.62	-.32	1.81	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	13.50	10.50	13.25	1.00	8.16	21.63	8.00	1.16	4.44	4.56	44.73	.96	.10 N	10.1	42.0	3.1	12.2	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	22.13	19.00	22.00	1.75	8.64	23.63	12.00	1.80	1.50	3.59	24.58	2.74	-1.82 N	-62.1	4.0	3.9	19.8	.60	2.7	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	6.75	7.00	-.25	-3.45	9.38	5.25	-.09	-.72	3.53	26.09	.92	.13 F	16.4	64.0	3.2	7.6	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.31	1.19	1.31	.06	5.00	2.00	1.06	.33	.00	-9.19	-52.73	62	-.15 S	-21.1	28.0	2.1	2.3	.16	12.2	09-28-81	8700.9	178.4	9	.8	3	1080
Intl Dairy Queen	INDQ	11.75	11.50	11.75	.00	.00	13.25	8.13	-.37	.32	1.50	-7.73	1.34	.30 N	22.7	51.0	6.1	7.3	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
JBs Rest	JBBB	3.50	2.88	3.50	.25	7.69	4.50	2.63	.12	5.77	-.21	24.35	.35	.54 N	NC	-2.0	2.0	6.5	.00	0	00-00-00	29.8	6	1.1	3.9	5	0980
Jerrico Inc	JERR	21.63	19.88	19.88	-1.75	-8.09	27.63	14.19	-.03	-1.52	1.95	-8.09	1.70	.45 Q	32.6	24.0	5.6	10.9	.12	6	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	3.75	4.13	.00	.00	4.38	3.25	-.17	-.30	1.79	.00	.26	-.43 N	-143.3	-21.0	3.6	NE	.00	.0	00-00-00	16.8	6	2.1	2.4	6	0980
Kelly Johnston	KEJO	14.75	13.25	13.75	-1.00	-6.78	16.25	10.75	-.07	.58	-1.24	-8.59	.58	.74 S	NC	148.0	5.9	18.6	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafeterias	LUBY	27.00	26.75	27.00	-.50	-1.82	28.25	17.00	-.02	-.12	-5.85	8.39	1.45	.27 F	22.8	24.0	8.9	18.6	.48	1.8	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	5.88	5.75	5.88	.13	2.17	7.28	5.00	.22	.21	-.20	-81.65	1.15	.08 Q	7.3	7.0	5.8	5.0	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	35.50	32.25	33.63	-1.63	-4.61	47.00	27.88	-.14	-.58	-.60	48.50	2.60	.59 N	23.9	28.0	4.2	11.0	.30	.9	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	69.88	65.50	67.50	.13	.19	72.88	43.75	-.02	.26	-1.76	6.52	5.49	1.03 N	19.4	19.0	10.1	10.7	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.25	8.63	8.63	-.50	-5.48	13.88	8.25	-.29	-1.08	-.85	15.59	.95	-.04 Q	-4.0	6.0	3.9	9.1	.32	3.7	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.63	2.13	2.13	-.50	-19.05	4.75	2.13	-1.22	-3.58	-1.40	23.85	.19	-.23 N	-57.5	42.0	.5	12.5	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.38	1.13	1.25	.25	25.00	2.38	.88	1.12	-2.46	-1.38	-20.59	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.00	9.00	9.00	.00	.00	12.25	9.00	-.15	-.35	2.62	.00	1.28	.71 N	63.3	19.0	1.0	4.9	.32	3.6	09-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	10.50	8.13	10.00	1.88	23.08	10.50	5.00	.20	3.18	1.39	34.92	1.05	.55 F	110.0	23.0	5.2	9.5	.20	2.0	11-19-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	14.75	14.63	14.75	.13	.85	19.00	11.88	.04	-.04	.59	-60.37	1.30	.25 F	23.8	13.0	6.1	11.3	.48	3.3	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.25	6.63	6.63	-.50	-7.02	11.50	3.88	-.28	-1.28	-2.74	-20.59	.59	.08 N	14.5	-2.0	1.4	10.5	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	16.38	14.50	15.00	-.88	-5.51	19.75	9.88	.24	-.62	2.45	-7.42	.60	-.25 S	-17.0	1.0	.8	12.3	.40	2.7	09-15-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.13	5.25	6.13	.25	4.26	12.50	5.25	-.31	.43	1.24	15.58	.53	.70 N	184.2	33.0	4.1	5.7	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.00	4.63	4.63	-.38	-7.50	8.25	3.13	-.19	-1.06	-4.13	45.35	.64	.39 N	60.0	29.0	1.6	4.4	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	21.25	18.63	19.00	-1.13	-5.59	23.75	7.25	.08	-.93	-5.58	-14.79	2.36	1.05 Q	68.6	15.0	1.4	7.4	.44	2.3	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rests	SRI	2.75	1.75	2.13	-.63	-22.73	6.25	1.75	-1.31	-5.29	2.41	30.45	-1.05	2.34 N	NE	-55.0	-2.4	3.5	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
SeaGalley	SEAG	9.25	8.63	9.00	.38	4.35	17.88	5.16	.04	-.07	-.80	24.10	.55	.69 N	NC	53.0	5.7	13.0	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.00	7.75	7.75	-.25	-3.13	13.00	7.00	-.14	-.96	-3.15	-1.09	1.10	1.34 N	183.5	22.0	2.5	2.7	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	13.63	13.38	13.50	-.13	-.92	14.16	9.75	-.03	-.16	-2.30	56.61	.83	.16 N	19.7	20.0	5.6	13.9	.16	1.2	10-13-81	210.6	11.8	1.0	1.2	4	1080
Steak n Shake	STAK	2.75	2.63	2.69	-.13	-4.44	3.25	1.44	-.44	.24	-3.07	-13.89	.06	.09 F	NE	-30.0	.5	44.8	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Treadway	TCO	.00	.00	12.25	.00	.00	12.38	6.25	-.11	-.31	-19.35	.00	.70	-.30 N	-29.7	8.0	4.4	17.3	.28	2.3	06-29-81	22.7	1.0	.6	5.6	7	0880
Valles Steak	VLE	5.00	4.50	5.00	.25	5.26	7.63	4.25	-.55	.79	-1.94	71.43	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	9.25	8.00	8.00	-.75	-8.57	11.25	5.88	.30	-2.39	-4.60	-1.99	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	7.75	7.50	7.75	-.13	-1.59	8.88	4.63	-.08	-.33	-.04	-28.27	-.05	.43 N	NC	-2.0	-2	18.0	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	16.63	14.25	14.75	-1.63	-9.92	19.38	8.59	-.15	-.64	1.01	-10.92	1.34	.32 N	27.3	30.0	8.7	9.9	.28	1.9	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	8.13	7.13	7.13	-.38	-5.00	13.63	6.50	-.19	-.35	1.72	-9.34	-.49	-1.54 S	-111.5	-22.0	-.9	NE	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Bonanza 9 mo. loss at $5.7 million

DALLAS—Bonanza reported a $3.9 million net loss for its third quarter ended Sept. 27, compared with net profit of $420,000 for the comparable 1980 quarter. Revenues fell 7% to $6.3 million.

For the first nine months the all-franchised company reported $5.7 million loss compared with a $1.1 million profit for the first three quarters of last year. Revenues were up 4% to $20.2 million.

Bonanza quarterly reports no longer fully reflect results of its former Peoples Restaurants subsidiary, which became publicly held in July. Bonanza retains approximately 40% ownership and derives revenues from service fees and franchises. If a registration statement filed by Peoples last month becomes effective Bonanza's 40% will be sold.

In the third quarter the company became a Peoples franchisee at two former Bonanza locations. Bonanza disclosed that a third such arrangement is planned for the current quarter.

Bonanza attributed the third quarter loss to a $1.6 million write-off of obsolete restaurant equipment (related to closings) and a $1 million bad debt provision to cover losses on closings.

All Bonanzas are franchised. John Boylan, president, said restaurant closings were a result of "Bonanza's aggressive enforcement of its lease and license agreements."

Bonanza franchisees operated 630 units at the end of the third quarter, down from 688 at the end of 1980.

The company reported systemwide sales for the quarter down 6% to $95 million and nine months sales down 4% to $288 million as a result of the closings.

Boyland said per store sales are about equal to last year's $11,400 average.

He noted that 25%-30% of all Bonanzas will have added the Freshtastiks food bar concept to year-end and another 10%-15% during 1982's first quarter. He said that franchisees who have converted to the concept have reported sales 20% ahead of the chainwide average.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Bonanza	9 mos.	9/27			$ 20.179	3	$(5.682)	—
	3 mos.	9/27			6.285	– 7	(3.893)	—
Chart House	9 mos.	9/30			92.735	13	5.500	13
	3 mos.	9/30			262.705	15	12.396	19
Cindy's	9 mos.	9/30			12.947	1	0.378	3,680
	3 mos.	9/30			3.974	–25	0.346	2,783
Frisch's Rest.	16 wks.	9/20			33.524	6	1.301	93
Naugle's	3 mos.	10/15			15.420	39	0.726	**
Pizza Inn	9 mos.	9/27			103.752	13	1.368	5
	3 mos.	9/27			36.532	14	0.480	30
Ramada Inns	9 mos.	9/27			309.071	11	(29.254)	—
	3 mos.	9/27			110.200	11	(38.378)	—
Resorts Int'l	9 mos.	9/27			276.244	– 7	(2.634)	—
	3 mos.	9/27			100.095	– 4	(10.044)	—
Restaurant Associates	39 wks.	9/26	$74.111	3			2.810	101
	13 wks.	9/26	25.731	1			0.757	0
Steak n Shake	1 yr.	9/30			57.235	– 6	0.301	**
Taco Viva	1 yr.	5/31	9.817	47			0.336	42
	3 mos.	5/31	2.605	72			0.140	22

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

VS strives to stabilize beef prices

LARKSPUR, Calif.—Victoria Station is now hedging forward beef prices without obligating itself to any single supply source.

The company says this will guarantee a stable price and keep overall food costs under 40% of sales.

Hedging beef prices, as a general practice, has been a Victoria Station purchasing policy since October 1975, according to Robert Gunst, chief financial officer. "Other than during two quarters when special situations arose, we have always followed that policy since that time," he said.

One of those quarters was fiscal 1981's second quarter when, according to the company, uneven quality necessitated the cancellation of its forward beef hedges. This resulted in Victoria Station's having to pay 35% more for prime rib than it would have otherwise.

This experience led to the company's present fresh beef hedging policy.

Gunst noted another relatively recent change in Victoria Station policy—the adoption of new accounting standards for dealing with leases.

The company is party to $21.6 million in noncancellable capital lease arrangements. Under the newly adopted accounting standards the noninterest portion of the total lease obligation is capitalized. Gunst noted that only $9.6 million of the $21.6 million represents capitalized value.

He said that the accounting change had, to date, caused the company to charge $1.2 million more to expenses than it would have otherwise—thus lowering its reported profits

I.F.A. lobbies

Subfranchising redefined

WASHINGTON—Lobbyists for the International Franchise Association coaxed the Senate into amending key provisions of a proposed Federal Criminal Code bill which would have outlawed subfranchising by fast-food chains.

As originally introduced by Sen. Edward Kennedy (D-Mass.) last year, the sweeping anticrime legislation would have defined subfranchising as an illegal pyramid sales scheme prohibited by Federal law.

IFA officials filed an immediate protest on Capitol Hill, warning that the language of the bill would unintentionally prohibit legitimate franchisors from entering into subfranchising arrangements.

Corrective language drafted by the association was incorporated into the House version of the measure, but the Senate refused to budge.

Time ran out on both bills last session, but new legislation to reform the Federal Criminal Code surfaced again this year. This time around, however, IFA convinced both the House and the Senate to include specific provisions to exclude subfranchising from the definition of an illegal pyramid sales scheme.

The newly revised Senate version—introduced by Judiciary Committee Chairman Strom Thurmond (R-S.C.)—"is not as appealing to us as the House bill, but it does represent a major improvement over the 1980 Senate language," IFA Government Relations Director Jerry Wilkerson said.

IFA's next step, according to Wilkerson, will be to encourage Thurmond's committee to place a disclaimer in their legislative report "making it crystal clear that subfranchising is a legitimate and legal industry practice."

IFA "totally supports efforts by Congress to drive the unscrupulous, fly-by-night pyramid scheme promoters out of business," but "this can and should be done without subjecting legitimate subfranchisors to criminal penalties," he said.

Custom Management purchases Isaly Co.

PHOENIX—The rapidly growing Custom Management Co. has recently added a restaurant group—its first—to its more than 300 institutional and contract operations.

CMC bought the mostly franchised Isaly Co., a 90-unit chain of delicatessens based in Pittsburgh, from the Clabir Corp. for a relatively low $1.7 million, according to president John Metz.

The Outlook

The acquisition comes close on the heels of another CMC purchase, that of the entire 28-hospital Ogden Food Services health care division. Those new accounts catapulted previously modest CMC into the second tier of contract feeders. The company's total sales last year were more than $130 million.

Ed Johnson, formerly of Truckstops of America, was named to head the new customer restaurant division. Johnson, according to Metz, hopes to increase the delicatessens' profitability by emphasizing the quality of their food and ice cream. The 20 company-owned stores, Metz claimed, made about $10 million last year.

On the drawing boards, Metz said, is a downscaled and reconceived Isaly's—tentatively dubbed "Isaly's Jr."— which may appear on or around CMC campuses.

The Isaly's Jr. project is intended to capture a share of one of the rapidly expanding markets facing the educational contract operator: "nontraditional" students.

But Metz said CMC has no plans to address this market by integrating cash and contract operations, as some of the larger groups such as Saga and ARA have done for some accounts.

CMC apparently doesn't need this innovation. Metz said the cash operations at his company's colleges and universities have grown a consistent 15% for each of the last several years.

The company also recently bought the 30-account health care division from Macke, Metz said.

Naugles earnings rise in 1st quarter

FULLERTON, Calif.—Naugles Inc., which operates 70 Mexican American fast-food restaurants, reported a rebound from a $102,183 net loss during the first quarter of last year to a $725,944 profit for the same period this year.

For the 16 weeks ended Oct. 16, the first quarters, revenues rose to 36% to $15 million from $11 million a year ago.

Harold Bulter, chairman and ceo, said the improvements result from the addition of 17 new stores during the past year and an increase in average unit sales. Naugles operates restaurants in California, Nevada, Utah, Missouri and Illinois with 10 additional stores now under construction in those states and in Kansas.

In October, the company publicly offered 1.1 million shares of its common stock.

CLASSIFIED ADS GET RESULTS

in

Nation's Restaurant News

ShowBiz reaches accord

TOPEKA, Kan.—ShowBiz Pizza Place Inc. and American Principals Corporation reached a multimillion dollar agreement for the sale and leaseback of selected ShowBiz Pizza Place restaurants nationwide.

Land and buildings will be developed by ShowBiz, an 80%-owned subsidiary of Brock Hotel Corporation, then sold to American Principals Corporation, a real estate investment firm based in Del Mar, Calif. The restaurants will be leased back to ShowBiz for operation.

Sales Prospects

Total investment by American Principals Corp. will be in excess of $20 million.

The ShowBiz Pizza Place chain has 34 restaurants in operation and plans to open new 10,000-sq.-ft. restaurants at the rate of one per week, according to Robert L. Brock, president and chairman. Sales for the units average more than $1 million each annually.

Sites

ShowBiz Pizza Place restaurants are located throughout the Midwest and Sunbelt regions. The restaurants feature larger than lifesize computer animated characters performing rock 'n' roll shows and comedy skits in a theater dining room, a large game room containing more than 60 electronic and video games

Clarification

DENVER—Robert Hite, Mr. Steak legal affairs vice president, emphasized that while industry expansion has been slowed by current high borrowing costs, Mr. Steak "has cash and access to borrowing. . . ."

Original Version

In an Oct. 26 article on restaurant growth financing *Nation's Restaurant News* quoted another Mr. Steak official as saying that the company relied on franchising because it didn't have the cash to finance expansion on its own.

NRN FOCUS

PROFILE: DENNY'S INC.

DENNY'S GAINING IN CUSTOMER TRAFFIC RACE

Comparison with Sambo's, Big Boys, Country Kitchen and Perkins (1979-81)

For Year Ended . . .	Feb. 1979	May 1979	Aug. 1979	Nov. 1979	Feb. 1980	May 1980	Aug. 1980	Nov. 1980	Feb. 1981	May 1981
	15.9%	*16.9%*	*16.9%*	*17.8%*	*19.3%*	*19.3%*	*20.6%*	*21.6%*	*22.1%*	*22.5%*

Denny's share of traffic has steadily risen over the past two years when its totals are included with Sambo's, Big Boys, Country Kitchen and Perkins. Denny's has gained at the expense of Sambo's, which plummeted from a 25.4% share in the year ended February 1979 to an 18.3% share for the year ended May 1981, and Big Boys, comprised of 21 separate groups. Big Boys still have the biggest traffic share at 39.1%, but this dropped from 43.1% between mid-1980 and mid-1981. (CREST information is based on a quarterly national cross-section of consumer diaries.)

Source: *CREST*

Front-running coffee shop chain seeks to widen the gap

(Continued from page 47)

Meanwhile, Denny's restaurants profit margins (operating income compared with revenues) have been under severe pressure and rose only slightly, from 6.3% to 6.5% in the latest fiscal year. The chain hopes to keep moving this margin toward the 9% level of a few years ago.

(Winchell's profit margins soared from 3.7% to 5.9%. Winchell's would like to move this toward the 10% level but doesn't feel it can again achieve the 12% of a few years ago.)

Denny's combined food and labor costs (including fringe benefits) are running at an average of 66% of sales, or a point above the coffee shop norm. If the chain can keep its costs in line while continuing to increase unit volume, perhaps the 31% food cost and 35% labor cost ratios will drop slightly and margins will improve.

Margin potential was sacrificed in an effort to establish an upward long-term traffic pattern as Denny's restaurants raised annual advertising expenditures from $11.6 million to $17.9 million in its latest fiscal year.

A series of specially priced promotions cut into margins too. The most prominent was a $1.99 Grand Slam breakfast platter (two pancakes, two eggs, two bacon strips and two sausage links) which now has been raised to $2.49. A Beefadelphia sandwich (a new version of the Philadelphia cheesesteak sandwich) is selling at $2.99 but will have to go to $3.45 soon.

Once the promotions end, Denny's will gladly settle for 1% or 2% annual traffic rises, after a 3% increase in its latest fiscal year and a 4.5% jump for the first quarter.

Denny's eschews gimmicks and does it all without any identifiable signature item or any character. Of course, one might consider Denny's 45-cent coffee as a signature item.

But the fact is that the price is more than double what it was originally and Denny's deliberately doesn't emphasize any particular item other than in special promotions. Actually the ratio of coffee and hamburger sales has steadily dropped as Denny's adds more items.

This lack of any signature item could be construed as either a strength or a weakness, depending on one's perspective. On the one hand it gives Denny's complete menu flexibility. On the other it hinders an individual identification for the chain, which wants to be known for its own uniqueness.

Denny's has one 24-hour menu, but its meal periods divide into four basic categories . . . "breakfast" from 4 a.m. to 10 a.m., "lunch" from 10 a.m. to 4 p.m., "dinner" from 4 p.m. to 10 p.m. and "supper" from 10 p.m. to 4 a.m. (Actually meals overlap to other time slots, for example, breakfast is available 24 hours daily.)

The morning breakfast period tends to be less than 20% of Denny's sales in most markets (breakfast grabs at least 15% of Denny's sales in other time slots), while lunch accounts for perhaps 35%, dinner 25% and supper 20%. These estimates indicate that fast feeders have taken a share of Denny's morning business and that the chain will have to devise strategy to overcome this.

Actually total Denny's sales in the 4 a.m. to 10 a.m. slot have risen slightly over the years but have declined as a relative proportion of sales since other meal periods have increased their share.

The one meal period that seems to be more than holding its own is from 10 a.m. to 4 p.m. Dinner from 4 p.m. to 10 p.m. is an area where Denny's would like to gain from other segments.

Another question about Denny's is the average ticket, which reached $2.85 per person in the latest fiscal year. There are also two ways of looking at this: (1) that it's not so much above fast feeders and that Denny's can woo business away from them with tastier food, nicer surroundings and no plastic utensils, or (2) that it's not so much below other restaurant segments and that Denny's could lose business to these segments if it keeps raising prices.

It seems inevitable that Denny's average ticket will top $3 soon even with just its 7% annual menu price rises, plus new items being introduced. Since the $2.85 average includes a number of customers who just have coffee or snacks, the average meal for many people is $4 or $5. Denny's will have to watch this carefully to avoid possible price resistance.

Finally, while Denny's has enjoyed major success in the West and Florida, it has encountered difficulties in areas of the Midwest and Northeast. It rebounded in Chicago, Pittsburgh and some other markets and hopes to add more units to these areas to provide sufficient advertising saturation.

CHECK AVERAGES AT A GLANCE

Chain	Average Per Person Check
Perkins Pancake	$3.25
Big Boys	2.90
Denny's	2.85
Country Kitchen	2.80
Sambo's	2.50

Source: *NRN* Research

Denny's average check falls in the middle range of major coffee shop/family restaurant chains.

NRN FOCUS

PROFILE: DENNY'S INC.

New menu strategy reflects specific geographical tastes

LA MIRADA, Calif.—After years of merchandising all the same items throughout the country, Denny's finally has realized that "an absolutely consistent menu everywhere is not advisable."

A regionalized and localized menu for Denny's is now combined with a strong decentralized organization in 14 separate regions.

"We haven't achieved our potential in a number of markets," conceded president Vern Curtis, "because we've tended to be the same in every market despite considerable differences in eating habits from one geographical section to another."

Now Denny's is emphasizing the geographic differences as well as the standard items which comprise most of its menu. Salads and fruits are receiving extra emphasis in the California restaurants, chicken fried steak in Texas and meat-and-potatoes cold weather specials in Northeastern markets.

In New England it's braised sirloin tips. In Philadelphia it's the Beefadelphia sandwich (a new version of the Philadelphia cheesesteak sandwich), and scrapple ("you can't have breakfast in Philadelphia without scrapple," noted one Denny's marketer). In Miami it's lox.

In the South it's a country breakfast of biscuits, sausage gravy and chicken fried steaks in contrast to the eggs and pancakes promoted for Denny's breakfasts in the rest of the country.

Denny's also is adjusting to the fact that dinner is stronger in the Northeast than in California, where a more casual lifestyle and the dominance of highway car travel make breakfast a highly significant meal.

"We've tended to be the same in every market despite considerable differences in eating habits from one geographical section to another."

"Hot and hearty" dinner specials are being heavily promoted in the Northeast with sirloin tips, meat loaf and salisbury steak at dinner prices of $2.29 to $2.79.

"We want to keep our national image but customize local menus to specific regions," said Denny's restaurants general manager David Bixler.

Ethnic foods are being eyed in major metropolitan areas, and "healthy foods" are being stressed. Grilled trout has been added "to show that we have a nondeepfried fish available all over the county," but in the South it's catfish.

Sandwiches with avocado and sprouts, steamed vegetable entrees and fruit and cheese loom as major factors in the chain's "healthy foods" approach.

The point of the wide diversity of offerings is to maintain flexibility in attracting almost every type of consumer. "Our main market actually is 25- to 49-year-old adults," said marketing vice president Barry Krantz. "But some of our units are kept alive by senior citizens, others by wall-to-wall families and children. We have to market to each segment."

Denny's is supporting its regional merchandising approach and other localized functions with a wide-ranging field organization. It is divided into two divisions, with seven regions in each division. Each regional office has three to five staff people, including a personnel director, maintenance director and in some cases a field marketing director.

District managers in the regions are responsible for five to 10 restaurants each. At the same time the organization in the units has been strengthened with two or three assistant managers as well as a head manager.

Training is carried out at the unit level—particularly for assistant managers who aspire to be managers.

DENNY'S VS. OTHER COFFEE SHOPS

(Current Fiscal Year)

Selected Major Chains

Chain	Average Per Unit Volume*
Bob's Big Boy	$1.1 million
Shoney's Big Boy	$920,000
Denny's	$900,000
Poppin' Fresh Pies	$875,000
Big Boys (21 Chain Average)	$780,000
Coco's	$775,000
Jojo's	$760,000
Frisch's Big Boy	$750,000
Perkins	$675,000
Elias Big Boy	$660,000
Country Kitchen	$625,000
Howard Johnson	$525,000
Steak n Eggs (Dobbs House)	$525,000
IHOP	$500,000
Wag's (Walgreen)	$485,000
Lums	$440,000

Selected California Chains

Marie Callender's	$1.3 million
Hof's Hut (Long Beach)	$1.1 million
Lyons	$1.1 million
Spires (Buena Park)	$1 million
Zims	$800,000
Colony Kitchen	$500,000

Source: *NRN* Research

*Estimated

Denny's, moving toward the $900,000 average per unit sales mark, ranks third just behind Bob's Big Boy and Shoney's Big Boy among the major coffee shop chains.

Stepped up ad budget targets TV

LA MIRADA, Calif.—Denny's is supporting its regionalized menu campaign with a stepped-up series of regional TV ads as well as increased national exposure with network TV.

The chain, which raised its advertising expenditures from $8 million in fiscal 1980 to $13.5 million in 1981, is expected to spend about $18 million in the current year. This would mean a further increase in the advertising-to-sales ratio to perhaps 2.5%, a substantial investment for a coffee shop chain.

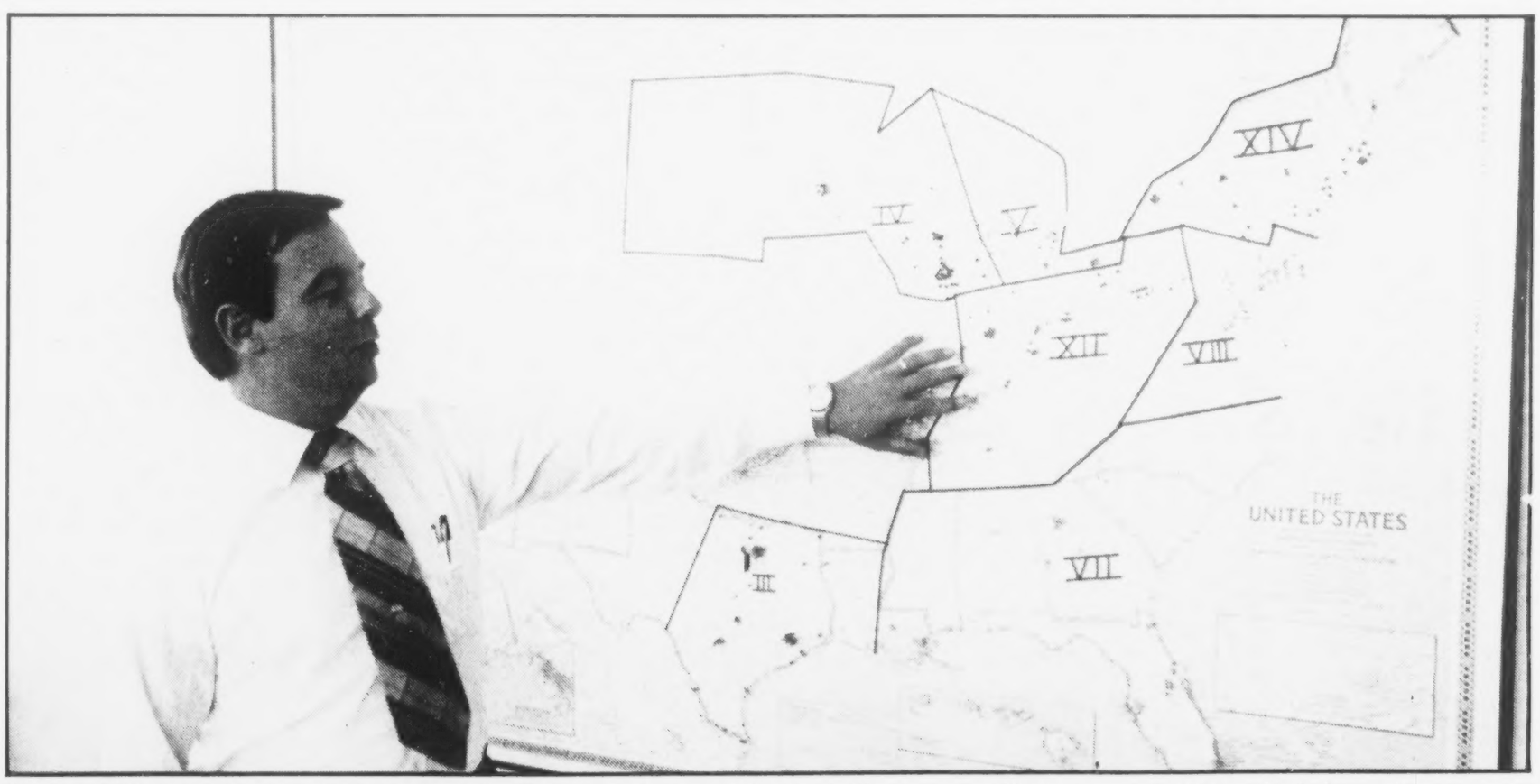
"We're determined to be more advertising-oriented and to take a much stronger marketing stance," declared president Vern Curtis.

The main emphasis in the advertising will be on food. "Everything has to start with food," emphasized marketing vice president Barry Krantz. "Our advertising will challenge the premise that a coffee shop can't serve tasty food. It will clearly show that Denny's does not serve plastic food."

According to the plans, some of the 30-second television spot ads will show 27 seconds of food quality and three seconds of price as Denny's tries to distinguish itself from the competition.

Denny's is convinced that it must advertise on network TV at least once or twice each month. "It's the only way to sustain continued national momentum," said Krantz, "and it's worth the cost."

Quantity reprints of this section are available from Peter Sulich at Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 212-371-9400.



Howard Massey, Denny's Restaurant Division vice president, with map outlining some of the chain's regions.

NRN FOCUS

PROFILE: DENNY'S INC.

Remodeling program under way

LA MIRADA, Calif.—Denny's is remodeling and refining its restaurants at a steady pace to upgrade its image, but is staying away from frills which might scare its basic customers.

Some 80 or more restaurants are slated for remodeling in the current fiscal year, at an estimated average cost of $80,000 per unit. Some of the original older units in southern California will receive extra attention.

One of its biggest modernization drives is in the back of the house where it is opening up the fry line so that customers can see what is happening. "We've found that customers are far more confident of the food when they see it being prepared," said a Denny's source. "There's no sense in hiding the fry line."

The system is arranged more efficiently so that fry cooks now face the front where customers can clearly observe them.

More back-of-the-house space also is being planned to provide extra preparation and freezer space in contrast to the previously cramped facilities. As much as 45% of the space will go to the back of the house, but the front of the house will retain at least the same amount of space in larger restaurants.

Although fryer and grill space is being expanded, freezer space remains tight. Denny's has devised a method to utilize polybags to keep rolls frozen for as long as a week. When the bags are unsealed, the rolls thaw out fresh and valuable freezer space has been saved.

At the same time Denny's has just unveiled its first "Model 81" restaurant design in Houston as a new prototype. The 130-seat restaurant features a new look in china, glassware, table settings, uniforms, skylights and floor tiles and carpeting, lower profile counter seating also is being tried as Denny's emphasizes its meal-oriented table seating.

Menus are also being modernized with clever graphics on the cover rather than a parade of pictures depicting each major item.

Denny's is stressing efficiency, comfort and attractiveness while trying to avoid the temptation to upscale the Model 81 "to give the impression of a higher-priced dinnerhouse which might discourage breakfast and luncheon business."

One of the problems with Denny's newer model 149 units was that the 149-seaters had too many alcoves and different rooms. It created confusion in the customer's mind and perhaps too much of a dinnerhouse atmosphere.

Now the alcoves and small rooms are being dropped in Model 81, and overall seating capacities will be varied between 100 and 180, depending on the market potential. In some markets, Denny's now realizes that "small may be better" to achieve maximum productivity and the best utilization of space.

The average size of the new buildings is 5,000 sq. ft., with parking space for about 65 cars.

Fake skylight lends an airy appearance to newly remodeled Denny's Restaurant in Whittier, Calif.

*COFFEE SHOP MARKET SHARE: DENNY'S VS. FOUR LEADING CHAINS**

	Denny's			Sambo's			Howard Johnson's			Shoney's Big Boy			Friendly		
	1978	1979	1980	1978	1979	1980	1978	1979	1980	1978	1979	1980	1978	1979	1980
Sales (Millions)	$485	$560	$650	$590	$560	$490	$425	$425	$435	$215	$250	$275	$200	$215	$240
Year-End Units	670	755	820	1,031	1,115	1,118	882	867	870	280	302	322	600	615	630
Average Unit Volume (Thousands)	$720	$740	$790	$570	$500	$440	$480	$490	$500	$770	$830	$850	$330	$350	$380
Market Share	25%	28%	31%	31%	28%	23%	22%	21%	21%	11%	12%	13%	10%	11%	12%

Source: *E. F. Hutton*

*Market share figures are E. F. Hutton calendar year estimates. They are based on combined sales of these five chains only.

NRN FOCUS

PROFILE: DENNY'S INC.

Takeout sales differ from chain to chain

LA MIRADA, Calif.—Denny's restaurants and Winchell's are total contrasts in their degree of emphasis on takeout business.

Denny's restaurants does only an estimated 3% of its sales on takeout. It stresses full meals and table seating, and has 15 to 20 counter seats in typical units to provide extra-fast service.

On the other hand, Winchell's derives some 70% of its sales from takeout. It has only a handful of counter seats and encourages takeout as providing a faster traffic flow. Its lower average per person ticket of no more than $1, compared with $2.85 for Denny's, makes takeout more feasible.

DISTRIBUTION OF TRAFFIC BY MEAL FOR SELECTED CHAINS

(Year Ended in May)

Chain	Breakfast 1980 (%)	Breakfast 1981 (%)	Lunch 1980 (%)	Lunch 1981 (%)	Supper 1980 (%)	Supper 1981 (%)	Snacks 1980 (%)	Snacks 1981 (%)
Denny's	31	35	27	22	30	28	11	14
Perkin's	42	31	21	24	30	29	7	16
Country Kitchen	20	25	32	34	42	31	7	9
Big Boy	15	10	35	35	40	45	10	10
Sambo's	39	45	26	25	24	20	11	10

Source: *CREST*

Denny's has increased its own proportion of customer traffic in breakfast (served 24 hours) and snacks, while the luncheon and supper proportions have dropped.

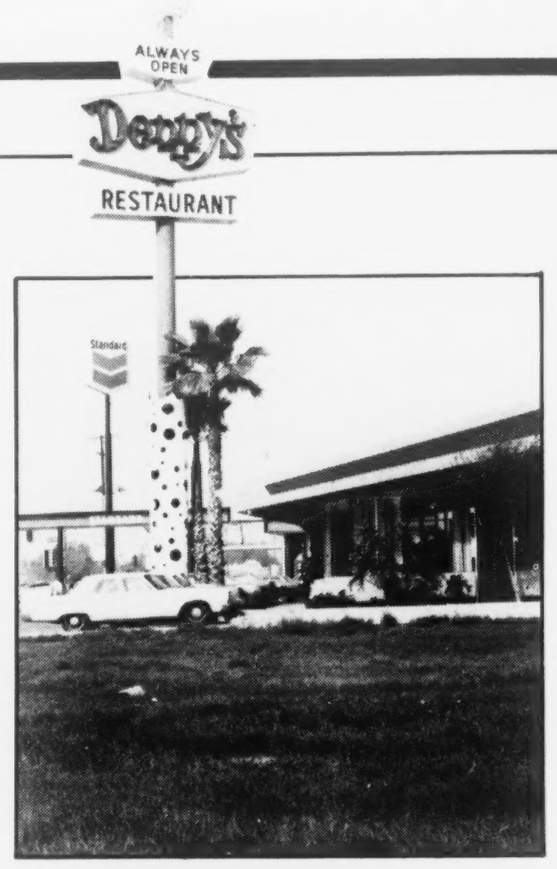
TRAFFIC AND DOLLAR SHARE TRENDS

Per Cent Change Among Five Chains (May 1980-May 1981)

Chain	Total Traffic All Meals	Dollar Volume All Meals	Breakfast Dollar Volume	Lunch Dollar Volume	Supper Dollar Volume
Denny's	+17.0%	+25.0%	+6.6%	+1.2%	+1.5%
Sambo's	+12.0	+13.0	−0.1	−2.0	−3.4
Big Boys	− 4.0	+ 6.0	−8.9	−4.7	0.0
Perkins	+13.0	+18.0	+1.1	+4.3	+2.5
Country Kitchen	+23.0	$29.0	+1.3	+1.1	−1.3

Source: *CREST*

Denny's has gained greatly in market share between the March to May 1980 quarter and the same quarter of 1981. Its best market share gains were made in breakfast while lunch and supper showed only moderate advances in market share of the five chains listed on this chart. Big Boys showed a traffic decline as well as a drop in each meal. Denny's prices rose 7%, accounting for most of the difference between the total traffic and dollar volume increase. Sambo's menu price average was up only 1% at the most, due to promotional specials. Big Boys had an estimated 9% price increase.



Almost all units company-owned

LA MIRADA, Calif.—Only 38 of Denny's 841 domestic restaurants are franchised today, and Winchell's donut houses continue entirely company-operated.

Yet Denny's once was mainly a franchised company as it grew by the franchising route in the 1960's until 165 of its 278 restaurants in fiscal 1970 were franchised. From that point Denny's gradually became almost entirely company-operated.

"We wanted to maintain our own complete controls at Denny's as well as Winchell's," company officials explain. "At no point did we have to expand so fast that we would need franchising."

The 38 remaining franchised Denny's units are individually owned, and former purchasing director Frank Barreras now oversees these

Welcome to Denny's

Visit frequency up

For the second quarter of 1981 (March-May), Denny's visit frequency rose 8% to 1.54 visits per customer or party over an average two-week period, according to CREST surveys.

At the same time, the average party size dropped 8% to 1.87 persons per check, CREST reported.

Denny's profiles typical customer

The typical Denny's customer group is 25- to 49-years-old and is comprised of both white and blue collar workers with above average incomes, according to Barry Krantz, Denny's restaurant division marketing director. The customers live or work within three miles of the Denny's and are "somewhat more educated than the average," he said.

Nevertheless, there are several Denny's restaurants that because of their location, such as near a college or in a tourist area, simply do not match the norm at all, Krantz added.

NRN FOCUS

PROFILE: DENNY'S INC.

Denny's distribution vp William Yantz gets printouts of computerized ordering, delivery and routing systems.

DENNY'S INC. MISCELLANEOUS FIGURES

	1981*	1980*
Net Income as Percentage of Average Shareholders' Equity	16.6%	11.8%
Number of Employees	49,400	45,600
Number of Shares of Common Stock Outstanding	9,899,306	8,714,787

Source: *Denny's Inc.*

*Years ended June

Denny's Inc. is nearing $1 billion in total sales.

National distribution system focus of support services

(Continued from page 74)

president and former general manager of Golden State Foods.

Proficient has launched a sophisticated computerized ordering, delivery and truck routing system which produces national printouts of the most efficient daily and weekly routes within 30 minutes—a job that would take at least 1½ full man days by a traffic expert, who couldn't do it with the same precision.

Proficient also distributes from Denny's Inc.'s Portion-Trol meat processing plant in Texas which supplies all Denny's restaurants with beef products.

At the same time Winchell's central production plant in La Mirada and one in Kansas supply bakery items, pancake mixes, sugar and oils to Denny's restaurants as well as supplying all products for Winchell's stores. Cooking oils and other techniques are similar at Denny's and Winchell's for certain product lines, and this adds to the overall integrated system.

Glen Martin, Denny's restaurants purchasing director, noted that the chain has established a comprehensive program of national and regional contracts to obtain the best possible price on products for Proficient's distribution centers. The only manufacturing done within the company is at the Texas meat plant and by Winchell's.

ANNUAL EARNINGS GROWTH RATES

Denny's Inc. vs. Four Major Chains

Company	1976-81 (Estimated)	1982 (Estimated)	1982-87 (Estimated)	Stock-Price Earnings Ratio on 1982*
Denny's	8%	18%	20%	6.5
Jerrico	15	25	25	8.5
Luby's Cafeterias	24	20	20	14.3
McDonald's	20	17	15	7.6
Shoney's	21	19	17	10.0
E. F. Hutton 873-Stock Weighted Average	15	23	14	8.1

Source: *E. F. Hutton*

*Based on calendar 1982 estimates

Portion-Trol employs almost 265 workers processing more than 1 million lb. of meat a week.

Subsidiary firm processes foods to supply chain

(Continued from page 76)

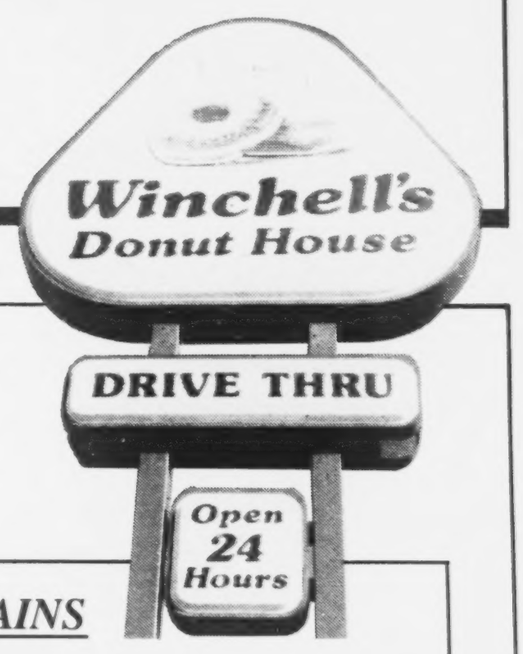
involved in the development of sirloin tips, salisbury steak and meat loaf for Denny's "Hot and Hearty" dinner selections.

Meanwhile, the plant recently started producing some of Denny's other products such as vegetable-beef, cheese and clam chowder soup.

Portion-Trol recently gained recognition as the fourth meat processing plant in the United States to be granted permission by the U.S. Department of Agriculture to operate under voluntary quality control standards. Under the program, Portion-Trol developed its own testing, supervision and quality control procedures which surpassed specifications established by the U.S.D.A., Berutti explained. The plant was then approved for voluntary conformity to the standards and is subject to spot inspections by United States inspectors.

Portion-Trol was established in Texas, Berutti continued, because the location puts the plant close to its major sources of supply. Texas is one of the largest beef producing areas in the United States.

NRN FOCUS



PROFILE: DENNY'S INC.

Winchell's holds off on expansion

By Jim Storey

LA MIRADA, Calif.—Despite a strong financial comeback over the last year for Denny's Winchell's Donut House division, expansion remains on hold for the chain as management continues to weed out lower volume units and concentrate on improving operations at its more profitable stores.

Nearly 120 units have been shuttered since the company said last year that it would close 150 Winchell's which were mostly unprofitable due to poor site selection.

While the doughnut chain plans to add approximately 10 new units this year, another 30 shops remain candidates for shutdowns. When the current fiscal year ends in June, the now 860-unit chain will number 840 to 850 shops, according to reliable estimates.

Winchell's is currently being viewed by management primarily as a cash generator for, among other things, expansion of the Denny's division, the company's primary growth vehicle.

Major expansion of the Winchell's division will remain at a standstill, officials say, until management has had a chance to test the growth potential of a new concept being developed. "We see ourselves moving from a donut concept to a bakery/snack food concept," explained Vincent Lambiase, corporate vice president and general manager of the Winchell's division. "We're too vulnerable with one product line.

Executing that change will require the addition of new products which Lambiase said will consist of pre-prepared quality snack-food items requiring little or no additional work from shop managers. Currently, Winchell's shops offer over 40 varieties of doughnuts and pastries that are prepared fresh daily at individual units.

Winchell's took its first step toward the new concept earlier this year with the market testing of three new products: cheesecake, brownie and crumb coffee cake.

Results of the 100-unit test have been satisfactory, Lambiase said, noting that he expects to see the new products rolled out chainwide around February.

While doughnuts will remain an important part of Winchell's future product mix, Lambiase said he would like to see them drop from the current 70% of sales (beverages account for the rest) to somewhere between 40% and 50% of sales in the next six years.

Future menu additions might involve sandwich-type products and the use of microwave ovens, Lambiase

(Continued on page 82)

WINCHELL'S VS. OTHER DOUGHNUT CHAINS

Share of Market Based on Number of Stores Per Market Area*

Chain	Total Share of U.S. Market	Western Market	Midwestern Market	Southern Market	Eastern Market
Winchell's	14%	28%	9%	—	—
Dunkin Donuts	15	4	17	20%	29%
Mr. Donut	7	1	10	12	13
Krispy Kreme	2	—	—	17	—
Other Chains	22	28	25	26	6
Independents	41	39	39	26	52

Source: *Winchell's* data

*Totals may add up to more than 100% due to rounding. Data is based on 1978 figures.

Market research reveals that 47% of the adult population are potential doughnut shop customers. Males constitute the majority of traffic at Winchell's (70%) as well as the bulk of all doughnut volume (63%). The typical Winchell's customer is male (70%), between 18 and 49 years of age (70%), and a high school graduate (73%). Winchell's strongest markets, research shows, are in the areas where there are enough stores to create a strong consumer presence and an efficient advertising thrust. Los Angeles, Sacramento, Denver, Fresno, San Diego, Bakersfield, San Francisco, Las Vegas, Portland, Seattle, Omaha and Albuquerque are the cities where the doughnut chain has achieved the strongest marketing clout.

Winchell's expansion will remain at a standstill until management tests growth potential of new concepts being developed.

FORECAST 1982

A look at the year ahead—Pages 65-90

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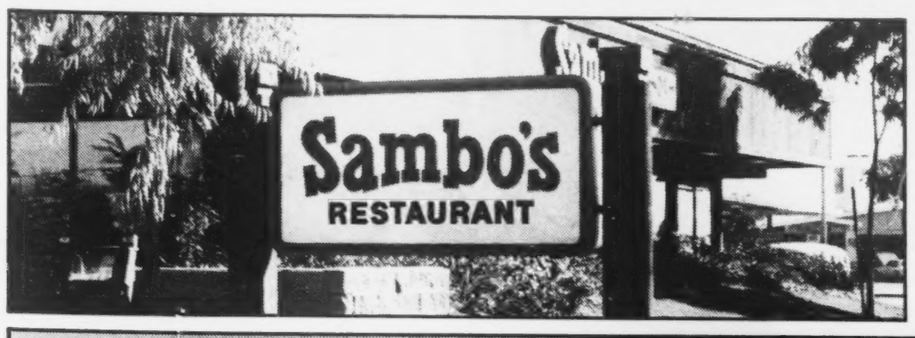
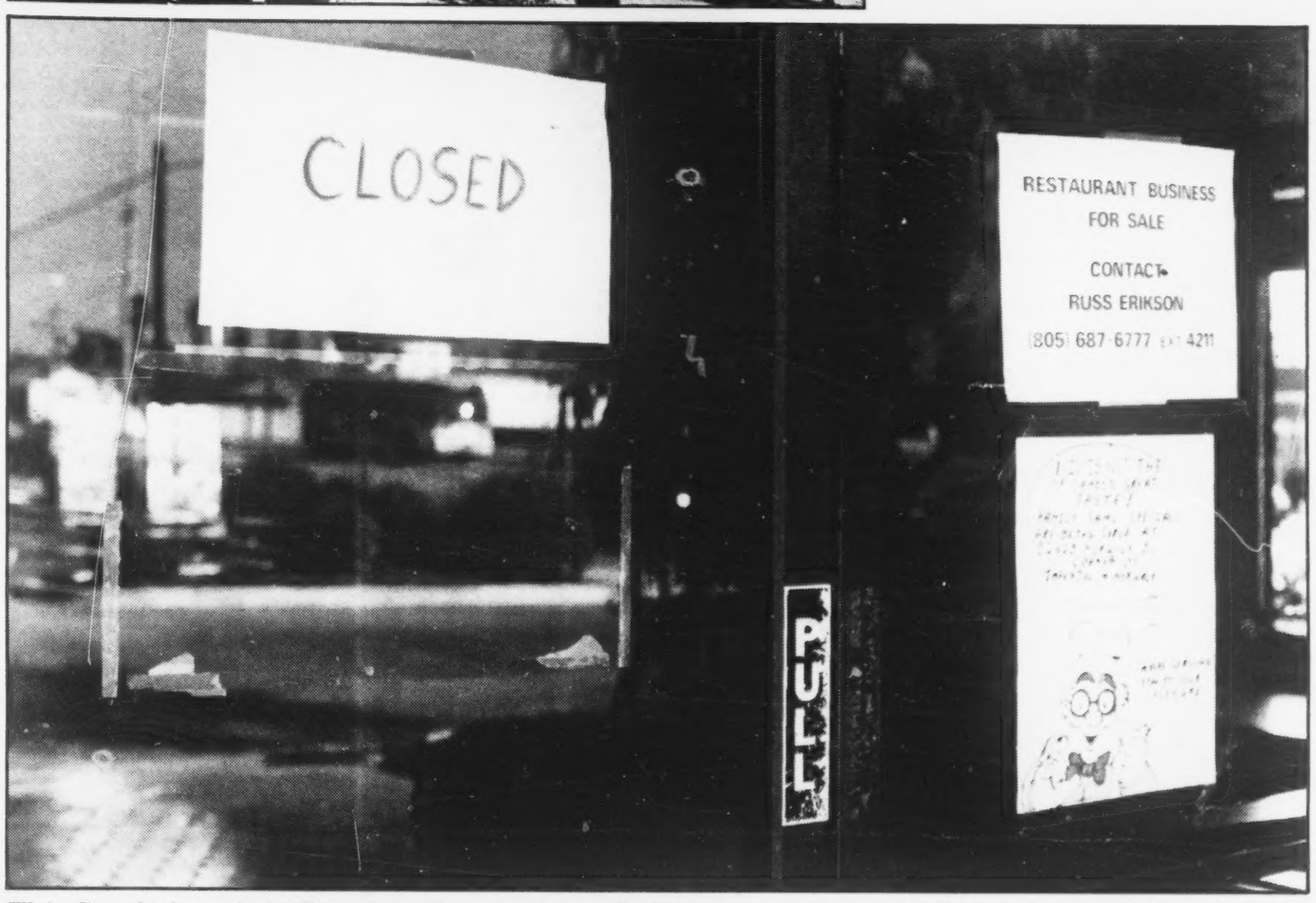


Sambo's succumbs to money pressure

Files voluntary bankruptcy; shuts down 447 restaurants



This Sambo's unit in Los Angeles was one of 447 forced to close its doors to the public.

By Charles Bernstein

CARPINTERIA, Calif.—Sambo's has filed a Chapter XI voluntary bankruptcy petition in an effort to work out a repayment plan for $100 million in loans from 17 banks and insurance companies.

The filing came after Sambo's had defaulted on a $4.8 million initial installment on the already restructured loans and the lenders refused to accept Sambo's plan for another loan restructuring. It also came after the chain had sustained a stunning $29 million nine-month net loss and had just closed, in 43 states, 447 of its 1,114 restaurants. (See Editor's Corner, Page 6.)

To many observers, the bankruptcy filing and the closings to scale down the chain to a more manageable operation seemed inevitable, and the only question was why Sambo's had waited so long to take those necessary actions.

One interpretation is that Daniel Shaughnessy, appointed Sambo's chief executive officer by the banks and by City Investing Corp. when it acquired an initial 16% interest in Sambo's over two years ago, was now determined to force a confrontation with the banks by offering a loan restructuring plan that the banks would find hard to accept. "Dan likes to play for big, all or nothing, stakes," said one source close to the situation.

As for Shaughnessy's own direct reaction, he has been totally unavailable for comment ever since he assumed control of Sambo's.

(Continued on page 135)

Hardee's set to buy Burger Chef chain

By Rick Telberg

ROCKY MOUNT, N.C.—Hardee's Food Systems here, a subsidiary of Canadian-based Imasco, moved to acquire the 697-unit Burger Chef chain from General Foods in a $44 million cash takeover.

About six months after the deal is closed, which should come by April, Hardee's would begin converting company-owned Burger Chefs on a test basis in small, isolated markets to the Hardee's banner.

If conversions prove profitable, Hardee's may fully integrate the Indianapolis-based chain market-by-market into the Hardee's system in three to four years, and the 28-year-old Burger Chef chain would fade.

The sale is subject to a Government review, a definitive agreement and approval of both companies' directors.

Hardee's president and ceo Jack Laughery stressed that chainwide conversion would only be carried out "assuming sales and profits support that assessment." He assured franchisees that Hardee's would honor all Burger Chef commitments and that they would not, could not legally, be forced to convert to Hardee's. He encouraged them to consider joining Hardee's voluntarily.

Jack Laughery
Hardee's president, ceo

Laughery's team and the Burger Chef team, headed by John Martin, Burger Chef president, began working out the many unresolved problems in a series of all-day sessions here

(Continued on page 136)

Marriott closes in on Host takeover

By Roman Czajkowsky

WASHINGTON—Marriott Corp. here has agreed in principle to buy Santa Monica, Calif.-based Host International, the giant operator of airport restaurants and gift shops, for $31 a share, or a total of up to $149 million.

Washington-based Marriott, a hotel and restaurant company as well as a major force in in-flight catering, outbid DFS Group Ltd. of Hong Kong, which sources said Host would have preferred as buyer. But DFS, which operates duty-free shops, retained an option to buy up to 875,000 of Host's 4.8 million outstanding shares, for $29.25 each, and certain other Host assets.

Analysts called the deal generally a good one for Marriott, though Marriott acknowledged it might raise antitrust questions.

There was also a question about Host's sale, immediately following the agreement with Marriott, of some of its fried chicken fast-food outlets to Kentucky Fried Chicken. Church's, the franchisor of the units, indicated its right to buy

(Continued on page 136)

Money squeeze intensifies

Independents vie for customers

By Susan Spedalle

What worries most independents about the coming year is that the pie is not big enough to go around anymore. The fierce competition for consumers' diminishing supply of discretionary dollars has trend-conscious independent operators fighting back with promotions, budget specials and additional profit-generating activities, such as catering.

Many operators will be turning to that low-overhead, high-profit sideline, catering. With a little bit of organization, some staff overtime and a few chafing dishes, restaurateurs have increased sales anywhere from 5% to 11%, says one operator.

Steve Poses, of The Commissary in Philadelphia, will be concentrating on catering this year because it allows him to expand the business beyond his locale; working suburban homes and catering halls from an urban base.

In addition to his catering business, Poses will further develop a six-month-old gourmet market concept located around the corner from the Commissary restaurant. The market offers the restaurant's dishes for take-out, as well as gourmet jams, mustards and vinegars, numerous cheeses and fresh flowers. There is also a dip station offering homemade ice cream and sorbets, a fresh pasta station and a deli and prepared salads counter. The concept has appealed to those looking for take-out lunch, part or all of a take-out dinner and party-sized weekend orders.

Appealing to those who are on a budget is another way op-

(Continued on page 136)

LATE NEWSBREAKS

Holiday Inns and franchisee W. B. Johnson Properties have disclosed a $1.25 billion plan to build 25 luxury hotels in the next 10 years. Groundbreaking for the first units is set shortly for New York, Los Angeles and San Francisco.

Ponderosa is eying development of a Mexican dinnerhouse concept. The company is also looking at other dinnerhouse formats, a spokesman said.

Shoneys Inc. reported net profits and revenues each up 25% to $14.8 million and $269 million, respectively, for the year ended Oct. 25.

Garbage was piling higher and higher in front of many New York City restaurants as a wage dispute walkout by 2,000 private carters' drivers and helpers entered its third week at presstime.

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Burger Chef takeover draws mixed reactions

By Rick Telberg

INDIANAPOLIS—Burger Chef Systems' top management group and franchisees were in high spirits when they gathered here in December for their quarterly meeting.

After 10 years of shuttering stores, new franchisees were being solicited. Three new menu items, and a fourth set for this month, were curving profits upward after years of barely break-even results. Sales growth, adjusted for price increases, was projected to reach 13% or 15% by this spring.

Meanwhile, executives at Burger Chef's parent, General Foods in White Plains, N.Y., were wrapping up a $44 million cash deal to sell the chain to Hardee's Food Systems of Rocky Mount, N.C.

"Everyone was knocked flat on their backs," recalled John Martin, Burger Chef president. "I don't think you can have blood in your veins and not feel disappointment."

From all reports, however, the shock slowly changed to a sense of opportunity—tempered by concerns about Hardee's plan to eventually convert all Burger Chefs to Hardee's stores.

Jack Laughery, Hardee's chairman, president and chief operating officer, assured

John Martin
Burger Chef president

Burger Chef management that he wanted to keep them in place. He assured franchisees that Burger Chef's agreements would be honored.

A number of problems remain to be ironed out.

Burger Chef is well-established in some markets. A name-change could encounter consumer resistance. Some units that share markets with Hardee's may be shut down.

Conversion costs could be weighty. Seventy per cent of the Burger Chef stores now use only grills, a process begun in 1979 to facilitate breakfast and the ⅓-lb., ⅝-in.-thick burger.

Hardee's, on the other hand, long touted "char-broiled" burgers, but has recently dropped the phrase. Laughery seemed unconcerned when he told the franchisees: "That's not a hook anymore," leaving the way open for a mix of cooking processes in the new system.

In addition, franchisees, despite assurances, are concerned about being left out on a limb when company stores convert to Hardee's. They fear they will have to bear conversion costs and suffer a traffic fall-off from reduced market share and a diminished co-op advertising pool.

Yet, all surveyed by *Nation's Restaurant News* voiced the same optimism. "It means," said one franchisee, "that we can start growing as a chain again."

Burger Chef stopped growing soon after General Foods bought it in 1968 for $15 million from its founder, Frank Thomas, who had built it into 700 units, three times the size of Burger King at the time.

Thomas opened the first Burger Chef in Indianapolis in 1954 as a showcase for a continuous chain broiler. His father started the equipment-fabricating concern now called Sani-Serv.

Thomas left after a year-long transition and was followed by General Foods executives with no fast-food experience. The headquarters was moved to White Plains in 1971.

Franchisees, meanwhile, upset by what they perceived as General Foods' high-handedness, revolted. Several sued over the right to pick suppliers. General Foods sued others to win back territories awarded in Thomas' day.

Martin said Burger Chef's profits "were always plus or minus zero all those years."

In 1973, General Foods was trimming the chain down to 1,000 units for increased efficiency. In 1976, the initial franchise fee was cut from $25,000 to $10,000.

Then in 1977, General Foods hired Terry Collins, who came from McDonald's as a regional manager with nine years' of fast-food experience. "We finally had someone who knew burgers," a franchisee recalled.

(Continued on page 136)

Carl Karcher's sells Taco de Carlos units

COSTA MESA, Calif.—Del Taco Inc., a chain of 157 Mexican fast-food units, has signed an agreement to purchase 12 of 16 Taco de Carlos units owned by Anaheim-based Carl Karcher Enterprises.

Negotiations are expected to be finalized before the end of the month. Del Taco did not purchase all the units because four of the stores were "too close to existing Del Taco's" said Wayne W. Armstrong, president of Del Taco.

Carl Karcher has been successful with its more than 290 Carl's Jr. fast-food burger units, but its Taco de Carlos units have been disappointing. Karcher officials cited inadequate return on investment and cost-effective advertising difficulties associated with the chain as primary reasons for pulling out of the Mexican fast-food business. The remaining four units will be sold during the next few months.

The average annual sales of a Taco de Carlos was about $350,000 compared to $650,000 for a Del Taco restaurant, according to the companies.

All of the Taco de Carlos units are in southern California and in many instances "fill in" gaps in Del Taco's market area. Armstrong added that the chain is compatible with Del Taco's concept in that all units have drive-thru windows. Drive-thru windows account for 30% to 50% of sales depending on a unit's location.

The new units will be remodeled as Del Tacos within eight weeks after the agreement with Carl Karcher is finalized. Taco de Carlos had three different designs. One design can be remodeled in two to three weeks.

This acquisition increases the size of the chain from 157 to 169 units. In 1982, the company expects to add about 20 more units.

Malls represent a new expansion area for Del Taco which opened its first mall unit in November in Costa Mesa. "We see an opportunity for 50 to 75 units of this kind in California," Armstrong said.

Del Taco Inc. is a distinct and separate company from Del Taco Corp., which is owned by W. R. Grace. Del Taco Inc. operates solely in California.

The company is looking into mall construction for a variety of reasons including faster construction period, lower operational costs because there are no drive-thru windows, and lower investment costs.

(Continued on page 136)

Restaurants claim refunds

IRS revises meal tax rules

By Ken Rankin

WASHINGTON—Federal tax officials issued a streamlined set of procedures for restaurants to claim hefty refunds of Social Security and Federal unemployment taxes paid on the value of employee meals and lodging.

The new Internal Revenue Service ground rules are expected to generate a flood of refund claims from thousands of food-service operators and employees who paid taxes on meals under the Federal Insurance Contributions Act (F.I.C.A.) and the Federal Unemployment Tax Act (F.U.T.A.) before the U.S. Supreme Court's "Rowan Decision" last summer.

In that case, the court ruled that meals served to employees for the convenience of the employer are not "wages" and therefore are exempt from Federal payroll taxes.

As a result of that decision and the new refund procedures published in an IRS Revenue Bulletin last week, food-service operators who paid F.I.C.A. and F.U.T.A. taxes on employee meals will be able to secure rebates for the past three years.

The amount of the payroll tax refunds at stake are likely to vary from several hundred dollars for a small independent operator to hundreds of thousands of dollars for large food-service chains.

In order to claim a F.I.C.A. refund, restaurants will first be required to either reimburse current employees for their share of the overpayment, or secure written statements from each worker agreeing to allow the employer to file a refund request for him stating that he has not and will not file a duplicate refund claim independently.

In addition, the IRS guidelines require firms to make a reasonable effort to contact former employees in order to obtain consent to file for refunds on their behalf. A "reasonable effort," according to the tax service, would involve sending first class mail notices to the last known address of each former employee. If the ex-employee fails to respond within 45 days, the restaurant could then file for a refund of his share of the overpayment.

In a major concession to the industry, IRS agreed to a National Restaurant Association proposal dropping the employee contact requirement for ex-workers whose total refund claims amount to less than $10. (Since employees do not contribute to the employers F.U.T.A. tax bite, there is no requirement that workers be contacted before a firm may apply for a refund of Federal unemployment taxes paid on meals.)

The tax service also agreed to a separate NRA proposal to pay interest on the payroll taxes improperly collected prior to the Rowan decision.

IRS officials noted, however, that no F.I.C.A. refunds would be issued for any present or former worker whose salary (excluding the value of meals or lodging furnished by the company) exceeded the Social Security taxable wage base in any year.

Claims for F.I.C.A. and F.U.T.A. refunds must be submitted on an IRS Form 843 with the words "Rowan Case" written at the top in red to help the agency speed its claim procedures. A separate Form 941c must accompany the refund application.

Restaurant operators who made "protective filings" with the agency before the Rowan ruling in order to protect their right to a full three-year refund must "perfect" these claims by filing new 843 forms for each covered year.

Pronto's reduces units, citing management woes

NEW YORK—Pronto Ristorante, an Italian (Bolognese-style) restaurant chain, has sold two units and closed two others as a result of what sources close to the chain call management problems.

In the last year, the chain's units in Baltimore's Harborplace complex closed and a unit in Coconut Grove, Fla., closed. The Coconut Grove restaurant reportedly closed for renovations.

Other Pronto Ristorante's in Atlanta and Houston were sold. Remaining are individual units in Minneapolis and Costa Mesa, Calif., and two units in New York City.

Sources close to the chain reportedly cited managerial problems, including manager turnover and logistical problems in managing several restaurants scattered across the country.

The Baltimore, Houston and Atlanta Ristorantes all opened in 1980. The Pronto concept, which features Bolognese specialties and open-to-view pasta kitchens, started in 1976 with the first Pronto Ristorante in Manhattan.

Pronto's is privately held by a French partnership which also operates 15 Pizza Pinos restaurants in France. The company also operates a Pizza Pino restaurant in New York.

HIGHLIGHTS IN THIS ISSUE

Where is the food-service industry heading in 1982? *NRN* presents an analysis of the approaching year, including projected sales, marketing strategies and effects of a tough economy. *Pages 65-90.*

As Sambo's faces bankruptcy proceedings, *NRN* editor Charles Bernstein probes what went wrong, and what can be learned from this situation. *Page 6.*

Pierce's model wine program may be worth a trip to Elmira, N.Y., suggests wine and spirits columnist Mort Hochstein. *Page 25.*

Playboy is selling its unprofitable resorts to Americana, contributing to Americana's expansion by acquisition strategy. *Page 58.*

A proposal to downgrade U.S.D.A. beef grading standards may affect beef quality when purchased in quantity, according to NRA president Robert Bradford, who spoke recently at the Oregon Cattlemen's Association convention. *Page 95.*

Harsh economic times are helping Mr. Steak, as some customers trade down from upscale independents and patronize budget steakhouses. *Page 115.*

Well-known restaurateurs are coping with unfavorable economic conditions by concentrating on solutions instead of dwelling on problems. *Page 111.*

Attention to detail is drawing customers into Conti's Cross Keys Inn, an out-of-the-way place to eat in Doylestown, Pa. *Page 117.*

Hawaii is awaiting the winter season with mixed emotions, even though recent data suggests an upswing in tourist traffic. *Page 12.*

Howard Johnson's is testing a new advertising campaign, based on extensive consumer research. *Page 25.*

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Host selling Church's units in Texas to KFC

SANTA MONICA, Calif.—Host International, in the midst of a takeover by Marriott, has agreed to sell its 76 franchised Church's Fried Chicken restaurants in Houston to Kentucky Fried Chicken for $12.5 million.

If the deal goes through, Church's would be left without rights to develop the territory, and KFC would have complete dominance of the market.

At the same time Host completed the long-planned divestiture of its fast-foods line by agreeing to sell the rest of the Jim Dandy Fast Foods Inc. subsidiary to Jim Dandy chairman Ross Peterson. Peterson would get 71 Jim Dandy restaurants in Denver, Los Angeles and Oklahoma, which are patterned after Church's, as well as the Jim Dandy subsidiary which owns the Houston-area Church's franchise.

Specifically, Jim Dandy Fast Foods Inc., which is wholly owned by Host, agreed to sell its Houston sites—leaseholds, titles to land, buildings and equipment—to KFC National Management Co., KFC's operator of company-owned stores.

In a joint statement with Host, Heublein subsidiary KFC said it plans to convert about half of the 76 Church's units—a source said up to 45 units—into KFC restaurants. The rest would be closed and sold.

William Storm, Church's financial vice president, said that the franchise should revert automatically to Church's. "I'll call our attorneys," he said after hearing the news.

But according to Peterson, Jim Dandy Fast Foods Inc. still retains the Church's franchise for the territory which dates back to 1966. Royalty payments reportedly amount to 1.8% of sales and the territory extends in a 50-mile radius from Houston city hall.

Peterson, 38, was general counsel at Host before assuming the top post at Jim Dandy two years ago.

In 1980, he reportedly was ready to pay $4.5 million for the Jim Dandy chain. But that deal fell through when Church's and Host failed to agree on terms to sell the franchise back to Church's. Host had asked for $15.4 million.

Church's and Host have been fighting over the Houston-area franchise since 1977 when suits were filed in Texas and Federal courts to clarify language on the franchise agreement, which was one of the earliest agreements written by Church's.

A Texas judge in 1980 ruled against Host when he determined that the franchise agreement expired in 1986. Host had contended that it was open-ended.

The Federal court suit is still pending. Peterson called it a "kitchen sink" suit, referring to the vast number of issues it raises. Among other things, trademark rights are at issue.

Peterson, however, expressed belief that he holds the franchise through Church's Chicken of Houston, a wholly owned subsidiary of Jim Dandy.

"I've got this contract sitting in my files," he said. "I'm going to retain that piece of paper."

Storm at Church's contended that while Host could sell leaseholds and ownership of the sites, Host could not sell the franchise.

Storm maintained that Church's had right of first refusal and had to approve the buyer of a franchise. He noted that KFC would have to sell the units' patented stoves back to Church's.

Based on the data Church's developed when considering buying back the territory in 1980, Storm said "there were only 17 or 18 really prime sites. And if they [KFC] are going to close half of them, that's an awful big price to pay." He said, "I can't believe they would pay that price."

Storm also said that a number of the leases on the sites had "just four to five years left to run on them."

Peterson said he had been wanting to buy the Jim Dandy chain since 1978. Host has been writing off Jim Dandy on its books since 1980 as a discontinued operation.

Fast food concept eyed by Jewelcor

WILKES-BARRE, Pa.—The nation's seventh largest catalog showroom operator has disclosed plans to jump into the pizza and video game field with a $1 million investment.

Jewelcor Inc., which lost $555,000 last year on $171.6 million in sales, has organized a wholly owned subsidiary to operate and franchise Circus Playhouse & Food Emporiums.

Three Circus Playhouses are planned for Atlanta, and one each in Hollywood, Fla., and Wilkes-Barre, according to Gary Boam, director of administration and public information for Jewelcor.

The retailer's move into food service and amusements is its latest attempt to diversify. The 22-year-old firm, which also manufactures jewelry and publishes catalogs, last tried to expand into synfuels but was frustrated when political winds shifted after President Reagan was voted into office.

Jewelcor officials expect each 13,500-sq.-ft. unit to cost $850,000 to build and equip with games and mechanical animals. Its revenue and profit projections correlate with others already in the exploding field.

Jewelcor officials indicate they hope to rival the success of Pizza Time Theater, whose 40-plus units average over $1 million in sales per year, with an average check of $14 per person, almost half of which is games' revenues. Jewelcor officials pointed to a recent investment firm report that put Pizza Time Theater's operating profits at about 24% of sales.

Other contenders in the field include Showbiz Pizza Place, with a dozen units, and Bally Manufacturing, which plans two dozen Bally's Tom Foolery arcades.

Circus Playhouse's officers are Seymour Holtzman, Jewelcor president, as chairman; Frank Cuscela, Jewelcor executive vice president, as vice chairman, and Marvin Roth, a part-owner of the subsidiary and president of Roth Novelty Co. which will supply the games, as president.

Boam said that the subsidiary was searching for a fourth individual with food-service knowledge to act as chief executive officer.

A Jewelcor executive said the subsidiary, which will be 80% funded by Jewelcor, will eventually be spun off and sold as a separate firm.

Circus Playhouses will serve pizza, pasta, submarine sandwiches and salads. No units are in operation yet, though sites have been purchased. The price of the food, as in similar operations, will include a game token, worth 25¢. The tokens, as well as quarters, will be used in the game machines.

Five-minute skits will be performed by mechanical animals, similar to Disney attractions.

Space in the stores will be divided almost evenly between fast food and games. Jewelcor will add a retail gift shop as its mark on the concept.

THE FOOD-SERVICE INDUSTRY DOLLAR

	Food-Only Restaurants		Food & Beverage Restaurants	
Where It Came From	**1978**	**1980**	**1978**	**1980**
Food sales	99.4¢	98.1¢	73.9¢	71.1¢
Beverage Sales	—	—	24.9	27.8
Other Income	0.6	1.9	1.2	1.1
Where It Went				
Food Costs	38.5	38.4	29.4	29.6
Beverage Costs	—	—	7.3	7.1
Labor Costs	31.1	31.3	31.3	32.3
Advertising & Promotion	3.3	3.8	2.8	1.9
Other Controllable Expenses	13.6	12.6	16.2	17.0
Occupation Costs	9.4	8.5	9.0	7.6
Net Income Before Taxes	4.1	5.4	4.0	4.5

Source: *National Restaurant Association*

Restaurant profits up, study says

WASHINGTON—Despite subpar sales growth, rising payroll costs and increased direct operation expenses, restaurants in the United States managed to improve their average bottom-line profitability over the past two years, according to a new National Restaurant Association industry operations report.

Net pretax income for "food-only" restaurants participating in the study rose from 4.1% of sales in 1978 to 5.4% last year, while establishments serving both food and alcoholic beverages boosted pretax profits from 4.0% to 4.5% over that same period, the survey found.

The NRA operating study, prepared in cooperation with researchers from Laventhol & Horwath, covered a sample of nearly 450 food-service establishments across the country including full-menu table service restaurants, fast-food units, cafeterias, steakhouses, chain operations, franchisees and independents.

Among restaurants serving no alcoholic beverages, the cost of food as a percentage of total sales remained surprisingly constant over the past two years—38.4% last year according to the new study compared to 38.5% for restaurants surveyed in a similar NRA survey covering 1978 operations.

Although the increased payroll costs including employee benefits for these food-only establishments was relatively modest—31.3% of sales in 1980 compared to 31.1% two years earlier—other direct operating costs, advertising and promotional expenses and interest payments all increased substantially in relation to total restaurant income, according to the study.

These increases were offset by relatively lower administrative expenses and occupancy costs (rent, property taxes, insurance) in the 1980 sample, but the reductions were not enough to produce any growth in the percentage of pretax net income on food sales during the past two years.

Significantly, the survey indicates that all of the increased profitability for food-only restaurants came as a result of a sharp increase in income from nonfood sales.

According to the NRA study, income from sources other than food sales (video games, souvenirs, cigarettes, etc.) accounted for only 0.6% of total volume in 1978. By last year, income from these nonfood sources had climbed to 1.9% of total sales for the surveyed establishments.

On a per-seat basis, dollar sales among the food-only restaurants sampled by the NRA reached $5,688, while food costs rose to $2,190.

The average check hit $3.61 (with an average daily seat turnover of 5), and total sales per full-time equivalent employee increased to $24,899.

Among restaurants serving both food and beverages, revenue from liquor, beer and wine increased sharply over the past two years, according to the study.

In 1978, the researchers found that beverage sales in these establishments accounted for less than one-fourth (24.9%) of total dollar volume. By last year, revenues from beverages increased to 27.8%.

Although the cost of food and beverages as a percentage of sales remained stable during that two-year period, labor costs climbed substantially (31.3% in 1978 vs. 32.3% in 1980).

In addition, direct operating expenses (uniforms, silverware, china, paper supplies, menus, etc.), rose even more rapidly, from 5.3% of sales to 6.5% last year.

But these increases were balanced by sharp reductions in advertising and promotional spending and lower occupancy costs for food and beverage restaurants, according to the survey results.

As a result, the study indicated that these establishments experienced improved profitability during the past two years, with net pretax income rising from 4.0% of sales in 1978 to 4.5% last year.

In terms of dollars, food sales per seat reached $3,647 in 1980 while beverage volume climbed to $1,875 per seat, the survey results indicate.

The check average for restaurants serving both food and beverages reached $6.61, as daily seat turnover averaged 1.96. Total sales per full-time equivalent employee rose to $27,253.

Food-only restaurants outperformed the food-and-beverage establishments on a key yardstick of profitability—return on investment.

Food-service firms serving no alcoholic beverages posted a substantial increase in sales per dollar of total assets, rising from $2.03 in 1978 to $3.33 last year. In contrast, among food-and-beverage restaurants the sales/assets ratio remained constant at $2.97.

Valle family agrees to sell steakhouse chain to execs

WELLESLEY, Mass.—Members of the Valle family have agreed to sell the 32-unit Valle's Steak House chain for $17.5 million to a nonfamily group comprising its top executives.

The sale comes four years after the death of founder Donald Valle. The company said the family needed to sell the chain to pay estate taxes resulting from his death.

The family and its trusts now control 67% of the company's 2.5 million common shares outstanding.

Principals of the new yet-unnamed company include Valle's executives Arthur W. Hanson, president, Robert L. Simon, executive vice president and Joseph R. MacDonald, treasurer. Other members of the group are from a New Jersey investment banking firm.

The chain posted a net loss of $569,000 on sales of $65.9 million for the fiscal year ended March 31. In the preceding year, the company netted $818,000 on sales of $64 million.

The average Valle's Steak House takes in more than $2 million a year. But it is very large—about 1,000 seats—and the average check is between $8 and $9, according to Valle's advertising manager Dan Davis.

The family-oriented chain began in 1933, when Valle opened his first restaurant in Portland, Me. The company expanded throughout New England during the early 1950's, recently adding several units in Florida.

FINANCIAL NEWS

Ponderosa's 3rd quarter earnings climb 83%

DAYTON, Ohio—Ponderosa Systems, operator and franchisor of 694 budget steakhouses, reported net profit rose 83% to $2.1 million for the third quarter ended Nov. 5, compared with the same period the previous year.

Sales for the quarter were up 8% to $83.4 million.

For the 36 week period ended Nov. 5, Ponderosa's net profit rose 92% to $7.1 million on an 11% increase in sales to $258 million.

Gerald S. Office Jr., chairman and president of Ponderosa, attributed the growth in sales and income to the success of its marketing programs and "effective control of operational and overhead costs."

These controls, according to the president, permitted Ponderosa to pass on higher meat prices to its customers. In the past, the company has tried to do this with less success.

An aggressive marketing stance in many of the chain's principal advertising areas helped cause a 7.4% upturn in customer counts during the quarter, compared with the same quarter of the previous year.

Ponderosa's meat distribution and processing subsidiary, ESI Meats, also contributed to the quarter's results. The operation's sales of meat products to outside customers was up 56% over the third quarter of the previous year.

Cost-cutting measures also made it less expensive to run Ponderosa Systems. Corporate and general administrative expenses as a per cent of total revenues dropped to 2.7% from 2.9% for the quarter.

Kelly-Johnston's 2nd qtr. net soars 120%

OKLAHOMA CITY—Kelly-Johnston Enterprises Inc., a Chi-Chi's licensee based here, reported net earnings for the second quarter ended Sept. 27, 1981, increased 120% to $384,-230 compared to the same period last year.

Revenues for the second quarter increased 32.7% to $4.1 million vs. prior year revenues of $3.1 million.

For the first two quarters—26 weeks—ended Sept. 27, 1981, net earnings increased 84.9% to $675,434 compared to the previous year. Revenues were $7.6 million compared to $5.8 million in the prior year, an increase of 32%.

In other business, Kelly-Johnston has agreed to a merger with Kinnard Companies, another Chi-Chi's licensee. As a result, Kinnard has withdrawn a scheduled debenture offering.

Headquartered in Oklahoma City, Kelly-Johnston is the largest Chi-Chi's franchisee with six restaurants in Oklahoma and Kansas and two under construction in Lawton, Okla., and Independence, Mo. Also based here, Kinnard operates three restaurants in Georgia and Florida and is building one in Jacksonville, Fla., as well.

The agreement calls for Kinnard shareholders to receive one share of Kelly-Johnston stock for each eight shares of Kinnard stock. Kinnard has approximately 2.8 million shares outstanding.

For the six months ended Sept. 27, 1981, Kelly-Johnston Enterprises earned $675,434 on revenues of $7.6 million. Kinnard Companies reported a net loss of $178,550 on sales of $2.4 million in the six month period ended June 30, 1981.

Arthur M. Kelly, chairman, said the merger would result in the company having nine operating restaurants with a potential of 50 in the merged territories which in addition to Oklahoma, Kansas, Missouri, Florida and Georgia, also includes Arkansas, Colorado, Nebraska, New Mexico and Wyoming.

Restaurant Associates holds steady for 13-week period

NEW YORK—Net income for Restaurant Associates decreased less than 1% to $757,-000 for the 13 weeks ended Sept. 26, 1981. For the first nine months income rose $1,400 to $2,810,000.

Sales for the first 13 weeks were $25,731,000, a slight increase from last year's period. For the nine months ended the same date sales were up 4%

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Dec. 15							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio	Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio			Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.63	5.13	5.13	-.50	-8.89	10.63	5.13	-1.33	.61	-.85	15.21	.34	.02	N	5.8	14.0	5.8	14.2	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
ARA Services	ARA	29.50	28.13	28.50	.38	1.33	37.25	23.75	.34	-.03	4.02	-2.30	4.00	-1.20	F	-23.0	4.0	1.5	7.1	2.00	7.0	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.50	5.00	5.50	.50	10.00	8.63	4.50	.01	1.62	4.84	-20.12	.66	-.14	F	-17.5	-1.0	2.6	8.3	.12	2.2	12-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.25	3.13	3.25	.00	.00	4.88	1.63	-1.18	1.84	-2.73	-66.29	.47	.14	S	31.8	41.0	2.3	5.6	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	22.75	21.25	22.75	1.50	7.06	22.75	15.19	.32	1.98	-.63	-27.32	1.40	.05	F	3.7	30.0	8.0	16.3	.40	1.8	09-21-81	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1.56	1.50	1.50	.00	.00	6.88	1.50	-1.06	.62	-1.19	18.72	.24	-1.49	N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Calmy Food	CLNY	11.00	11.00	11.00	.00	.00	15.50	8.50	-.35	.62	-.57	35.14	1.35	-.07	S	-4.5	8.0	2.2	7.5	.20	1.8	10-28-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	5.63	5.13	5.25	-.13	-2.33	10.00	3.97	-.22	1.06	.34	-14.42	.86	.44	Q	74.5	34.0	2.4	5.1	.09	1.7	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.75	20.38	20.75	.38	1.84	22.88	10.88	-.02	1.10	.20	12.98	1.75	.28	N	16.5	12.0	4.9	10.5	.60	2.9	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	22.00	20.13	20.13	-1.00	-4.73	27.25	11.94	.18	-1.52	3.34	14.34	.46	.37	S	137.0	35.0	12.9	31.4	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.50	11.38	11.63	-1.88	-13.89	13.88	6.13	-.12	-.96	2.76	-2.85	.66	-.03	F	-4.3	8.0	2.7	17.6	.40	3.4	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	29.13	25.00	29.13	3.13	12.02	37.38	25.00	-.11	4.36	6.31	26.51	3.01	.55	N	18.7	24.0	9.9	8.4	.84	2.9	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.00	3.00	3.00	.00	.00	4.63	1.63	.01	.52	-1.48	7.54	-1.43	-1.09	F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	13.38	12.50	13.38	.38	2.88	14.91	7.13	.31	.92	-.18	32.50	1.56	.59	S	40.6	12.0	2.8	6.6	.24	1.8	12-23-81	265.2	7.5	1.4	10.6	13	0481
Dennys Inc	DEN	30.63	29.13	29.50	-.63	-2.07	31.75	18.00	.05	.50	-1.91	21.04	2.96	1.12	Q	54.6	5.0	3.2	9.3	.88	3.0	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.25	14.00	14.25	.50	3.64	18.25	10.00	-.27	1.06	2.45	-3.39	1.53	.35	N	24.6	21.0	8.2	8.1	.30	2.1	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.75	8.00	8.38	.38	4.69	8.75	4.56	-.06	.00	-4.20	38.64	1.39	.67	Q	65.6	13.0	3.0	5.0	.35	4.2	11-30-81	97.0	2.9	1.2	7.2	13	0581
Ginos	GNO	19.50	15.25	16.88	-1.38	-7.53	20.13	6.75	.19	-.68	-.54	-6.84	1.67	.47	N	470.0	-5.0	1.4	29.6	.44	2.6	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.75	6.50	6.50	-.25	-3.70	9.00	6.25	-.30	-.19	-2.18	.00	.27	-.95	F	-77.8	-16.0	.7	24.1	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	4.25	2.63	4.00	1.50	60.00	11.25	2.25	.73	5.73	2.94	-24.19	.44	-.20	N	-34.4	-10.0	8.6	10.5	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	41.63	39.25	39.88	-.75	-1.85	52.25	33.25	.04	-.43	2.88	-2.59	4.00	.21	N	5.3	35.0	20.3	9.7	1.80	4.5	12-14-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	28.38	25.75	26.00	-2.25	-7.96	33.25	21.13	-.34	-.84	-1.24	-36.72	2.92	.69	N	23.6	28.0	7.1	7.2	.74	2.8	12-14-81	1533.8	108.3	1.0	17.6	22	1280
Horn & Hardart	HOR	14.38	13.38	13.50	-.38	-2.70	19.13	8.00	.68	-.59	-1.53	-2.63	.96	.10	N	10.1	42.0	3.1	12.4	.00	.0	01-11-82	128.2	4.0	1.8	16.9	7	1280
Host Intl	HIII	29.13	27.75	28.00	-.75	-2.61	29.50	12.00	1.50	-.14	.95	-15.86	2.74	-1.82	N	-62.1	4.0	3.9	25.2	.60	2.1	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	7.25	7.25	.00	.00	9.38	5.25	-.02	.60	7.96	72.49	.92	.13	F	16.4	64.0	3.2	7.9	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.44	1.31	1.38	.13	10.00	2.00	1.06	.39	1.12	-1.87	.00	.62	-.15	S	-21.1	28.0	2.1	2.5	.16	11.6	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.50	10.75	10.75	-.75	-6.52	13.25	8.13	-.29	-1.18	-4.15	-8.46	1.34	.30	N	22.7	51.0	6.1	6.6	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.38	2.13	2.13	-.25	-10.53	3.38	1.75	.37	-2.17	.33	-20.92	-.65	-.06	F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	3.63	3.63	3.63	.00	.00	4.50	2.63	.75	.77	-.61	41.67	.63	.63	F	NC	1.0	3.0	5.8	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	20.88	20.88	20.88	.00	.00	27.63	14.69	-.25	.63	-.19	-25.01	1.70	.45	Q	32.6	24.0	5.6	11.4	.12	.6	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kelly Johnston	KEJO	16.00	15.75	16.00	.25	1.59	16.25	10.75	.38	.89	1.13	16.73	.58	.74	S	NC	148.0	5.9	21.6	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.75	1.50	1.50	-.25	-14.29	9.00	1.50	-1.13	-2.48	1.30	-7.26	-.60	-.56	S	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	27.00	26.50	27.00	.50	1.89	28.25	17.84	-.17	.81	-6.73	-42.33	1.45	.27	F	22.8	24.0	9.1	18.6	.48	1.8	09-06-81	108.2	9.8	1.1	.9	6	0681
Marcus Corp	MRCS	6.38	6.38	6.38	.00	.00	7.28	5.00	.39	.59	6.67	37.54	1.15	.08	Q	7.3	7.0	5.8	5.4	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	38.63	35.63	38.25	2.75	7.75	47.00	29.75	.25	.91	-3.42	2.88	2.60	.59	N	23.9	28.0	4.2	12.5	.30	.8	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	66.75	63.88	64.13	-1.88	-2.84	72.88	44.63	-.32	-.08	-2.51	-23.42	5.49	1.03	N	19.4	19.0	10.1	10.1	1.00	1.6	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	8.63	8.50	8.50	-.13	-1.45	13.88	8.25	-.36	.15	3.29	-19.86	.95	-.04	Q	-4.0	6.0	3.9	8.9	.32	3.8	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.25	2.25	.00	.00	4.75	2.13	-.71	.41	4.19	21.61	.22	.04	F	22.2	43.0	.5	10.2	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.25	1.00	1.00	-.25	-20.00	2.38	.88	-.37	.31	2.37	19.51	-.87	-.53	Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	12.25	9.00	.04	.57	4.17	.00	1.74	.48	F	38.0	18.0	1.3	5.3	.32	3.5	09-10-81	126.2	1.3	.8	4.9	11	0980
Piccadilly Caf	PICC	15.13	14.63	14.63	-.50	-3.31	19.00	11.88	.04	.19	-4.79	38.45	1.30	.21	Q	18.4	15.0	6.1	10.8	.48	3.3	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.00	6.00	6.50	-.38	-5.45	11.50	3.88	-.38	3.52	.85	-6.79	.59	.08	N	14.5	-2.0	1.4	10.3	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	15.75	14.25	14.50	-.88	-5.69	19.75	10.00	-.30	-1.07	-1.55	-9.59	.60	.41	N	39.4	3.0	.8	10.0	.40	2.8	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	7.00	6.00	6.25	-.75	-10.71	12.50	5.25	.42	-1.35	-.43	11.26	.53	.70	N	184.2	33.0	4.1	5.8	.12	1.9	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.88	4.38	4.63	.00	.00	8.25	3.13	-.36	.07	1.69	7.40	.64	.39	N	60.0	29.0	1.6	4.4	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	21.00	20.00	20.00	-.50	-2.44	23.75	8.00	-.14	.03	-3.38	27.78	2.36	1.05	Q	68.6	15.0	1.4	7.8	.44	2.2	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rest	SRI	2.00	1.00	1.38	.13	10.00	6.25	.63	-3.29	.68	4.30	-59.56	-1.05	2.34	N	NE	-55.0	-2.4	2.3	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
SeaGalley	SEAG	9.25	7.38	7.38	-1.88	-20.27	17.88	5.50	-.29	-4.38	-1.90	14.81	.55	.69	N	NC	53.0	5.7	10.7	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.50	8.25	8.25	-.25	-2.94	13.00	7.00	.08	-.30	-1.17	25.59	1.10	1.34	N	183.5	22.0	2.5	4.0	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	15.00	14.50	14.50	-.50	-3.33	15.00	9.75	.34	.19	2.97	-63.86	.83	.16	N	19.7	20.0	5.6	14.9	.16	1.1	10-13-81	210.6	11.8	1.0	1.2	4	1080
Steak n Shake	STAK	2.69	2.56	2.56	-.13	-4.65	3.25	1.44	-.27	-.24	5.26	-30.45	.06	.09	F	NE	-30.0	.5	42.7	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Valles Steak	VLE	6.00	5.88	6.00	.00	.00	7.63	4.25	1.00	.62	.77	81.82	-.22	-.35	Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	8.63	8.25	8.25	-.13	-1.49	11.25	6.25	-.36	-.44	-.61	18.81	-1.85	.72	S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.25	8.25	8.25	.00	.00	8.88	4.63	.25	.60	2.18	23.32	-.05	.43	N	NC	-2.0	-.2	19.2	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	14.75	13.38	13.63	-1.13	-7.63	19.38	9.50	-.72	.05	-.51	1.44	1.34	.32	N	27.3	30.0	8.7	9.1	.28	2.1	10-30-81	347.0	30.1	.5	1.9	6	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Steak n Shake net up for fiscal year

INDIANAPOLIS—Steak n Shake, a Midwest burger chain which had not registered a profit since 1978 when it began closing restaurants, finished fiscal 1981 in the black.

For the year-ended Sept. 30, Steak n Shake reported $300,605 in net profits, compared to a $145,352 net loss in 1980. The chain lost $3.4 million in 1979.

The chain finished fiscal 1981 with $56.5 million in revenues, down 6.5% from 1980. In 1979, the chain had revenues of $77.1 million, down 11% from its record high in 1978.

Steak n Shake ended the year with 121 units, down from 125 in 1980, 134 in 1979, and 154 at its peak in 1978.

For the fourth quarter, a $1 million addition to the company's pretax provision for restaurant closings contributed to its $143,958 net loss, compared to $751,374 in net profits for the year-earlier period.

Revenues in the fourth quarter slipped from $15.7 million to $14.7 million.

In addition, the company disclosed its new board of directors had approved a move that would, if successful, complete a takeover begun last June.

At that time, Robert Cronin, who held a 54% interest in Steak n Shake's parent company, Franklin Corp., sold his interest by issuing new stock and relinquishing voting rights to his existing stock. The buyer was Kelley & Partners, a convenience store operation headed by E. W. Kelley.

Kelley became vice chairman and chief executive officer of Steak n Shake. Cronin stepped down from the presidency but retained his posts as a director and chairman.

Cronin took control of the chain for $9 million in 1971. Before selling to Kelley, an $8 million deal with LLC Corp. fell through.

Cronin, since the transaction, has remained involved in the day-to-day operations of Steak n Shake, overseeing restaurant closings.

Both Cronin and Jeremy McKenzie, the president and chief operating officer of Steak n Shake who joined from W. R. Grace's West Coast restaurant group, report to Kelley.

McKenzie said that between the interests of Kelley & Partners and Franklin Corp., "It's like being owned by two companies. We thought it would come back to haunt us."

"It seems that Kelley & Partners could sell and that would disrupt future plans," he said. "People here would wonder who their bosses are."

So the board of directors, he said, had agreed to offer to acquire the outstanding minority interests in Franklin Corp. in exchange for 12% subordinated Steak n Shake notes due in 1991.

McKenzie said he could not put a dollar value on the proposed transaction since the move was in the midst of registration with Government authorities.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
ARA Services Inc.	1 yr.	10/2			$2,915.876	4	$53.082	25
	13 wks.	10/2			711.013	– 4	12.169	**
Associated Hosts	1 yr.	9/26			79.917	4	2.076	– 17
	3 mos.	9/26			19.914	8	0.327	29
Bob Evans Farms	6 mos.	10/23	$84.000	19			6.837	14
	3 mos.	10/23	44.275	16			3.555	23
Collins Foods Int'l	6 mos.	10/31			149.302	13	5.112	48
	3 mos.	10/31			75.454	11	2.737	52
Hyatt Int'l	9 mos.	9/30			12.508	34	3.795	205
	3 mos.	9/30			3.804	20	0.564	5
JB's Restaurants	1 yr.	9/30			36.562	23	1.058	80
	3 mos.	9/30			9.804	25	0.403	49
Mr. Steak	1 yr.	9/27			55.703	– 1	0.378	11
	3 mos.	9/27			14.403	1	(0.006)	—
Oakbrook Consol.	1 yr.	9/25			133.396	6	2.408	2,836
	3 mos.	9/25			32.899	4	0.949	**
Ponderosa Syst.	9 mos.	11/5			258.800	11	7.148	92
	3 mos.	11/5			83.400	8	2.099	83

Source: *Company earnings reports*

—Loss in corresponding period
**In millions*
***Loss in corresponding period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Bob Evans earnings up in third qtr.

COLUMBUS, Ohio—Bob Evans Farms reported restaurant profits rose 22% to $2.2 million and restaurant sales rose 23% to $23.7 million for the second quarter ended Oct. 23 compared to the year-ago period.

Figures consolidating both of the company's businesses—restaurants and sausage-making/retailing—showed profits up 23% to $3.6 million and sales up 16% to $44.3 million for the quarter.

For the six-month, two-quarter period, restaurant profits rose 28% to $4.3 million and sales jumped 26% to $45.9 million.

Consolidated figures for the six-month period showed that profits increased 15% to $6.8 million and sales increased 19% to $84 million.

Company officials attributed the increases in its restaurant business to the fact it was operating more restaurants than a year ago. Seventy-three restaurants were open at the end of the period, compared to 60 the year before.

Four restaurants were opened during the second quarter and none were closed in the six-month period. Six more restaurants are scheduled to open before the end of fiscal 1982 in April.

Improvements in Bob Evans Farms' sausage business were attributed to price increases and the opening of new market areas.

Nabisco buys Life Savers

NEW YORK—Nabisco Brands has disclosed an agreement in principle to purchase Life Savers from Squibb Corp. for about $250 million in cash and notes, plus assumption of an unspecified amount of Life Savers liabilities.

READ CLASSIFIEDS

2nd quarter net up 52% at Collins

LOS ANGELES—Collins Foods International, which operates Sizzler Family Steak Houses, Kentucky Fried Chicken stores and several distribution centers, reported an increase in net income of 52% to $2.7 million, for the second quarter ended Oct. 31, compared with the same period last year. The results are adjusted to reflect a 4-for-3 stock split in October.

Revenues rose 11% to $75.4 million.

For the six months ended Oct. 31, net income rose on an adjusted basis by 48% to $5.1 million.

James A. Collins, chairman, attributed improvement in the second quarter to growth in average unit sales.

Collins also said earnings improvements for the second half probably will be lower than in the first half since comparisons will be against last year's record third and fourth quarters.

As of Oct. 31, Collins Foods operated or licensed 459 Sizzlers, and operated 236 KFC units and six Collins Foodservice distribution centers.

Losses attributed to higher expenses

Esteban's earnings drop 91%

MINNEAPOLIS—Esteban's Mexican Foods Inc., operators of four Mexican restaurants as well as contracted food service, reported earnings of $9,000 for the third quarter ended Sept. 26 compared with $112,692 for the same period last year, a 91% drop. Net sales for the period rose 31% to $1.4 million up from $1 million for the same quarter a year ago.

For the nine months, earnings were down 65% from $205,108 to $72,193. Sales increased 38% to $4 million compared with $2.9 million in the first nine months of 1980.

On Aug. 6, the company went public with a 600,000 share offering.

Chairman and president R. Stephen Tanner said the decline in earnings was caused primarily by higher expenses in areas such as staff additions and increased promotional activities. The company is promoting itself with television and full-scale radio campaigns.

In addition, construction started on the company's first freestanding restaurant, which is set to open in March 1982. Tanner added that the company recently signed leases for restaurants in Burnsville and Maplewood, growing Twin Cities suburbs, which are expected to open in mid-1982. By the end of 1982, the company predicts it will have nine restaurants operating.

The company is also expanding its institutional food-service operation and recently went into Michigan, Ohio, Illinois, Indiana and Missouri and introduced several new products, including Mexican lasagne, chile and quiche. Institutional food sales were up 168% for the first nine months because of increased customer demand and marketing and expansion efforts, the company said.

Esteban's owns and operates four Mexican restaurants in Minnesota and Wisconsin and a food service for schools, commissaries, hospitals and other institutions.

JB's net increases 69% for fiscal year

SALT LAKE CITY—JB's Restaurants Inc., operator of 63 restaurants, reported net income rose 69% to $1 million for the fiscal year ended Sept. 27, 1981, from $589,000 in fiscal 1980.

Sales for fiscal 1981 totaled $36.4 million compared to $29.7 million in 1980, an increase of 23%.

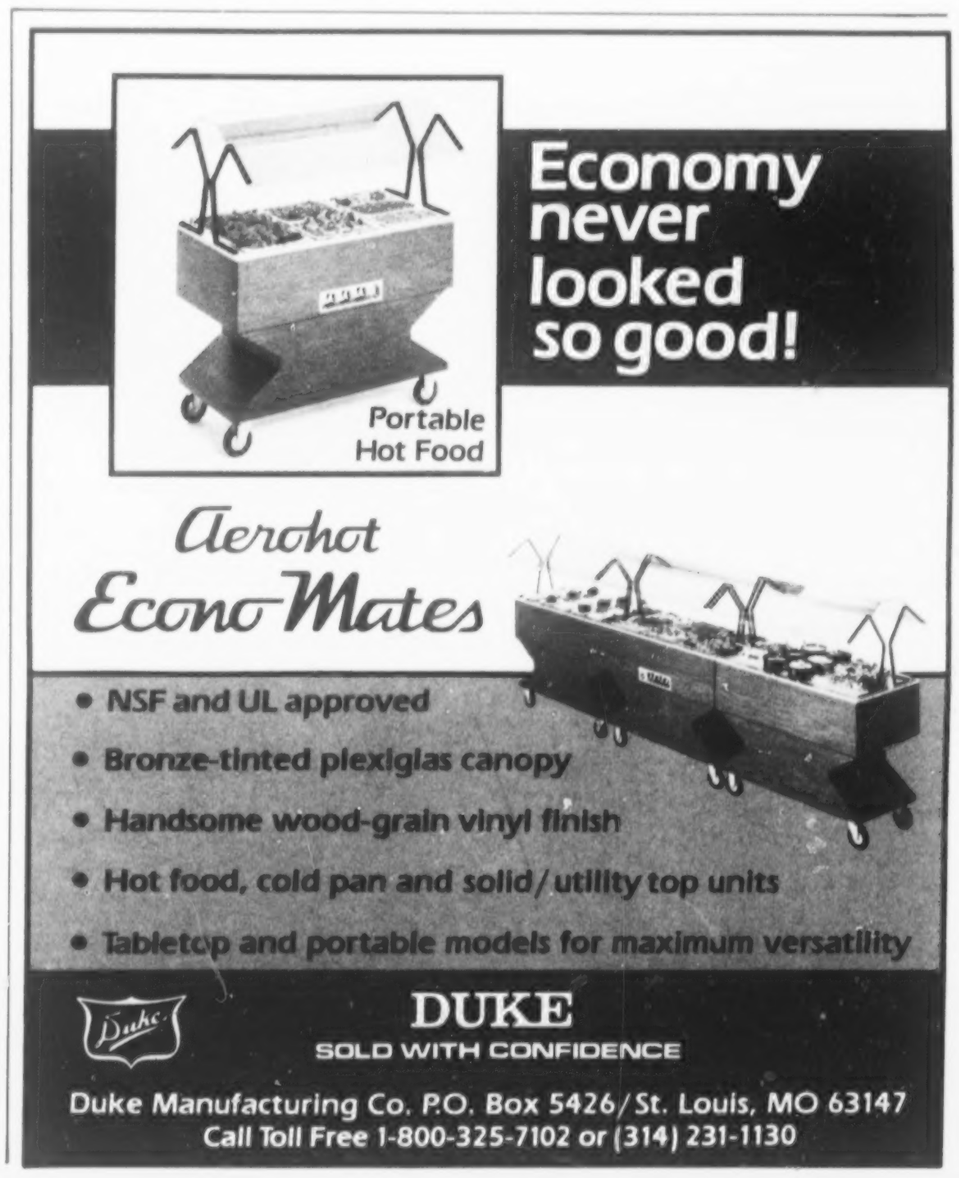
For the fourth quarter, net income was up 48% to $403,000. Revenues rose 28% to $9 million.

JB's Restaurants have completed installations of gourmet salad bars and charbroilers in nearly all restaurants. The chain has done extensive remodeling during the year and has four restaurants completed. In each case, sales at the remodeled restaurants have increased more than 60%.

In addition, JB's opened four new Bob's Big Boy Restaurants during 1981. The company has also unveiled a new restaurant called Apple Butter Farm which features homemade-style foods.

Posner raises stake in Royal Crown

ATLANTA—Victor Posner, the Miami-based financier, has raised his ownership in Royal Crown here from 6.5% to 11.2% by purchasing $6.24 million more worth of RC stock.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FORECAST 1982

Sunny signs may cloud if recession continues

By Charles Bernstein

Food-service operators face the serious challenge this year of trying to raise customer counts and profit margins following a generally flat year and in an uncertain economy.

Prospects appear questionable with the unemployment rate at 8.4% and a continuing recession of variable magnitudes predicted for at least the first half. Yet there are also bright signs for an improvement in bottom line performance as well as on the crucial customer count side.

For one thing, interest rates finally are dropping after having topped 20%. Prospects are that the prime rate could go down to 12% or 13% this year, which would remove the shackles that have made expansion so expensive and untenable for many operators.

For another, the Federal minimum wage is slated to stay at $3.35 in 1982 after steady increases the past few years. Thus operators finally have a chance to improve profit margins, which have been squeezed to the hilt.

Labor and food cost rises, along with skyrocketing utility and occupancy costs, have greatly cut into profit margins. Operators have been forced to pass along these costs to customers in the form of steady menu price increases. These increases in turn have led to customer resistance and are at least partially responsible for the flat or declining customer counts.

It's a situation which prompted one harried chain executive to declare that "I'd be absolutely delighted to achieve just a 1% customer count increase or to maintain the line in this type of environment."

But with the minimum wage finally holding steady and commodity food costs leveling off, operators should be in a position to curb menu price rises to a greater extent this year, still achieve respectable profit margins, and hopefully bring in more customers.

A major falloff in menu price increases last fall led to a 0.9% sales gain (after subtracting the increases) in October compared with the previous October, according to Carl DeBiase's Colonia, N.J.-based Restaurant Industry Trends comprehensive surveys.

This upswing came on the heels of a record dip in menu price rises from 8.4% in September over the previous September, to 6.2% in October. It indicates a possible reversal of the erosion in customer counts.

Total sales of 17 major selected chains increased an average of 7.1% over the previous October. Since menu prices for these chains rose an average of only 6.2%, actual sales were up 0.9%.

The biggest reverses in actual sales and in customer counts for October were sustained by Jack-in-the-Box, down 10%; Friendly, down 7%; Church's, off 4%; Wendy's, down 3%; Ponderosa and Taco Bell, each off 2%, and Burger King, Howard Johnson and Winchell's, each off 1%.

Leading gainers were Pizza Hut, up 6%, and Denny's, up 4%. KFC was up 2% while McDonald's, Dunkin' Donuts, Hardee's and Sambo's each gained 1%.

Grim talk about the 1982 economic outlook may be exaggerated. Unemployment is particularly serious in the Pacific Northwest with the hard-hit lumber industry and in the Midwest with the depressed auto industry. Yet it is a spotty situation varying greatly around the country.

The administration, finally conceding a recession, has scaled down previous predictions of a 3.4% gross national product increase for 1982 to no better than 1%.

At the same time inflation in general is slowing, having dropped from 13.5% in 1980 to 10% in 1981. Some forecasts anticipate only an 8% jump for 1982.

Tax reductions should put more money in consumers' pockets this year. Taxes were cut 5% Oct. 1, and an additional 10% reduction looms.

Retail sales—a key indicator of consumer spending patterns—have been way off. But much of the dip has come from drastic reductions in spending on major appliances and other big ticket items. Consumers may opt to spend their money on entertainment and restaurants.

FOOD-SERVICE INDUSTRY SALES

(In Billions)

Sector	1979	1980	1981*	1982*
Commercial	$ 88.7	$ 96.2	$105.6	$116.3
Institutional	16.0	17.2	18.4	19.7
Military	0.5	0.6	0.7	0.7
Totals (All Food Service)	$105.2	$114.0	$124.7	$136.7

Source: *National Restaurant Association*

*Projected

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FORECAST 1982

FOOD-SERVICE INDUSTRY COMMERCIAL FOOD AND DRINK SALES PROJECTED TO 1982

	1979 Estimated Food & Drink Sales (000)	1981 Projected Food & Drink Sales (000)	1982 Projected Food & Drink Sales (000)	1981-82 Per Cent Change	1981-82 Per Cent Real Growth Change	1979-82 Compound Annual % Growth Rate
EATING PLACES						
Restaurants, Lunchrooms	$33,398,455	$39,324,429	$ 43,060,250	9.5	1.1	8.8
Limited Menu Restaurants (Refreshment Places)	24,936,227	30,809,429	34,511,268	12.0	3.6	11.4
Commercial Cafeterias	2,045,336	2,315,442	2,472,892	6.8	−1.6	6.5
Social Caterers	748,981	806,206	835,229	3.6	−4.8	3.7
Ice Cream, Frozen Custard Stands	1,189,556	1,419,716	1,561,687	10.0	1.6	9.5
TOTAL EATING PLACES	62,318,555	74,675,114	82,441,326	10.4	2.0	9.8
Bars and Taverns	7,178,715	8,321,422	8,953,850	7.6	−0.8	7.6
TOTAL EATING & DRINKING PLACES	69,497,270	82,996,536	91,395,176	10.1	1.7	9.6
FOOD CONTRACTORS						
Manufacturing & Industrial Plants	2,016,619	2,300,039	2,518,543	9.5	1.1	7.7
Commercial & Office Buildings	541,134	656,510	726,757	10.7	2.3	10.3
Hospitals & Nursing Homes	751,334	879,433	948,908	7.9	0.9	8.1
Colleges & Universities	1,004,381	1,218,617	1,307,576	7.3	0.3	9.2
Primary & Secondary Schools	576,790	670,897	741,341	10.5	−3.5	8.7
In-Transit Feeders (Airlines)	476,067	532,367	587,733	10.4	4.3	7.3
Recreation & Sports Centers	875,370	1,060,231	1,182,157	11.5	3.1	10.5
LODGING PLACES						
Hotel Restaurants	3,285,061	3,838,741	4,243,837	10.6	2.2	8.9
Motor Hotel Restaurants	808,470	946,491	1,042,086	10.1	1.7	8.8
Motel Restaurants	1,798,579	2,099,609	2,301,171	9.6	1.2	8.6
TOTAL LODGING PLACES	5,892,060	6,884,841	7,587,094	10.2	1.8	8.8
Retail Host Restaurants	3,075,455	3,651,428	4,016,570	10.0	1.6	9.3
Recreation & Sports	1,252,230	1,544,237	1,717,191	11.2	2.8	11.1
Mobile Caterers	434,360	506,539	557,193	10.0	0.7	8.7
Vending and Nonstore Retailers	2,347,474	2,701,248	2,979,476	10.3	1.0	8.3
TOTAL—ALL COMMERCIAL FEEDERS	88,740,544	105,602,923	116,265,715	10.1	1.7	9.4

Source: *National Restaurant Association*

Food service acquisition trend gains momentum

The food-service chain acquisition pace has accelerated in the last few months—but with a critical nuance. This time it is operators buying operators rather than conglomerates stepping into the fray.

Hardee's, which itself is owned by Montreal-based conglomerate Imasco, agreed last month to acquire Burger Chef from General Foods.

Marriott is poised to acquire a major portion of Host International in a deal involving the DFS Group, a huge gift shop operator. Marriott, which sold Farrell's Ice Cream chain, supposedly also may be interested in acquiring Gino's-Rustler, with some of the Gino's units to be converted to Roy Rogers.

Two major just-completed deals saw Shoney's Inc., operator of Shoney's Big Boy and Captain D's, acquire Famous Recipe Fried Chicken, and International Dairy Queen acquire Golden Skillet Fried Chicken. Earlier, Horn & Hardart acquired Bojangles chicken chain. And Wuv's is positioning itself to merge with A & W under the auspices of the Taubman Co. shopping mall developers.

This sudden splurge of merger activity is likely to accelerate in 1982 as chains find themselves besieged with a difficult economy and flat customer counts as well as rising costs and ever-tightening profit margins. The only available road to profitable expansion, some feel, is to be acquired by a stronger operator.

At the same time conglomerates and major corporations are re-evaluating their commitments to food-service chains. "For years it seemed to be a lark for these big corporations acquiring one food-service chain after another," observed one highly knowledgeable industry source. "But lately a lot of them have become disenchanted with the restaurant business. Not that there's anything inherently wrong in running these chains. Just that it takes a lot more personal commitment and service than some of these corporations were willing to give."

As a result some of the remaining chains which might like to be acquired are looking to other chains rather than conglomerates. One exception is PepsiCo, which is known to be looking for a major fast-food burger chain (Wendy's or Gino's could be candidates) to acquire by late 1982 after having made progress in turning around Pizza Hut and Taco Bell.

Attractive chains such as Denny's and Jerrico are not being actively wooed anymore by conglomerates. Rather, such profitable chains are more likely to be the acquirers of other chains than the acquirees.

Of course, the danger in any of these mergers is the possible blurring of a straight-line major effort with one successful chain and a diversion of capital and of executive talent. Yet chains searching for market segments almost have to do so via acquisition due to the incredible startup costs of new operations today.

Wendy's tried to launch its own upgraded chicken chain, Sisters Chicken, but is putting a minimum commitment into it for fear of diluting its main burger business. Chart House, which owns steak houses (Cork 'n Cleaver and Chart House steakhouses were integrated) and is a large Burger King licenseee, is trying to launch Luther's barbecue and Cisco's Mexican restaurants.

At least one major corporation, Quaker Oats, has publicly stated it would like to sell its food-service chains Magic Pan, Engine House Pizza and Proud Popover restaurants.

But others too may want to sell either to raise desperately needed cash (a prime motivation in United Brands' efforts to sell A&W) or to escape from a difficult situation. Royal Crown may want to sell Arby's, and Mrs. Paul's Kitchens is encountering overwhelming problems with its Arthur Treacher's fish and chips chain.

City Investing, which also owns Servomation and Motel 6, is finding far more severe problems in Sambo's than it had anticipated. Sambo's has filed a Chapter XI voluntary bankruptcy petition. It suffered a $29 million nine-month loss and has closed 447 of its 1,114 restaurants.

W. R. Grace is trying to achieve turnarounds at Del Taco and Far West Services dinnerhouses while also operating Coco's and Jojo's, El Torito and Gilbert/Robinson (Houlihan's).

Despite pronouncements that it was "not dissatisfied" with the progress of the Howard Johnson Co. after 1½ years, Imperial Group of Great Britain has appointed G. Michael Hostage as chairman and president to try to awaken the sleeping giant to its real potential.

Pillsbury has placed its Poppin Fresh Pies chain under the Steak&Ale division, which is finding the streamlined casual Bennigan's restaurant to be its hottest vehicle. Pillsbury's Burger King has lost market share and is trying to recover.

In essence, the conglomerates have

(Continued on page 68)

NRN FOCUS

FORECAST 1982

Beef grading heads active legislative agenda

Restaurant operators looking forward to a breather from heavy-handed Federal legislative and regulatory initiatives during 1982 are in for a surprise. Congress and the Reagan Administration will be moving ahead over the next few months on literally scores of proposals affecting food-service payrolls, profits and operational procedures.

The issue topping the industry's Washington worry list at presstime was the Agriculture Department's plan for an inflationary shift in Federal beef grading standards. The changes, originally proposed by cattle producers, would sharply reduce the amount of "marbling" needed to qualify a carcass as U.S.D.A. "Choice" or "Prime."

Although proponents of the scheme claim that reduced marbling requirements will encourage ranchers to produce more lean beef demanded by today's nutrition-conscious consumers, restaurant industry leaders contend the proposal is little more than an effort to fatten the profits of cattle producers.

An economic impact study prepared for the National Restaurant Association concludes that consumer meat prices would have increased $200 million if the proposed grading changes had been in effect during 1979 and 1980.

But in addition to enabling cattlemen to sell lower quality carcasses for Prime or Choice prices, food-service lobbyists contend that the proposal would also make it difficult for restaurants to find reliable supply sources for top quality beef.

At presstime, U.S.D.A. officials were planning a series of hearings on the proposals in at least five different cities early this year. Unless food-service and organized consumer leaders convince the department to drop the scheme, the new beef grading standards could be issued in final form by midsummer.

Cattle producers were not as successful in generating Congressional support for new Federal restrictions on imported meat, however. Beefbelt Congressmen backed down from their plan to amend last year's farm bill to establish tough new inspection requirements for foreign beef—a drive which had gained momentum following U.S.D.A. disclosures of contaminated Australian meat.

Food-service lobbyists opposed to such restrictions, however, acknowledge that the imported meat safety issue could come roaring back to life unexpectedly this year if new evidence of foreign beef contamination surfaces.

Indications are that restaurants may have more direct pocketbook problems to worry about in Washington this year, however.

Top Reagan Labor Department officials are drafting a series of major changes in Fair Labor Standards Act enforcement practices, including a proposal to stiffen the already severe civil penalties for violations of Federal minimum wage and overtime pay requirements. According to policy makers at the department, the proposals under development now would also make it far easier for Government wage and hour enforcers to obtain back pay awards from restaurant operators and other employers charged with infractions of the act.

In addition, the department's Wage and Hour Division is scheduled to uncork a new salary test rule for minimum wage exempt supervisory workers within the next few months.

Currently, administrative personnel and other supervisory employees earning more than $155 weekly are exempt from Federal rules requiring overtime pay scales for hours worked in excess of 40 per week. Although incoming Reagan labor officials suspended a Carter Administration rule which would have increased this "white collar" salary test level to $225, the department is planning to announce an increase in this exemption by summer.

One formula under consideration by the Reaganites would allow the $225 weekly minimum pay floor to take effect, but set a lower ceiling (about $191) for supervisory employees in restaurants and retail outlets.

The Federal minimum wage rate—currently $3.35 per hour—figures to come under pressure itself this year from organized labor.

Union lobbyists are expected to launch a major new election-year campaign for sharp hikes in the national pay floor similar to those proposed last year by the Government's Minimum Wage Study Commission. Among other things, that panel called for eliminating the present Federal minimum wage exemption for small food-service establishments, boosting the salary test threshold for exempt workers to $268 per week, focusing the bulk of wage and hour enforcement on "problem" employers (such as restaurants), and creating an escalator provision to ensure automatic future increases in the hourly wage floor.

On top of these changes, organized labor is also expected to resurrect separate proposals to lower the national workweek from 40 to 35 hours—a move that could add hundreds of millions of dollars in overtime pay costs for restaurants—and to cut back even further on the present 40% Federal tip allowance.

The Reagan Administration, meanwhile, is pushing for still other changes likely to affect food-service labor costs and practices, including a new immigration policy which would hold restaurateurs and other employers responsible for detecting illegal aliens in the workforce.

On the positive side, the Administration has pledged to propose new tax incentives to encourage businesses to hire additional workers as a substitute for the current Targeted Jobs Tax Credit program scheduled to expire at the end of this year.

Congress, on the other hand, is gearing up for serious debate on a variety of legislative proposals sure to pose major problems for the food-service industry. Among the top restaurant concerns on the Congressional calendar now:

- A Federal beverage container deposit mandate prohibiting the sale of "throwaway" cans and bottles nationwide. (In addition to driving up labor costs for many food-service operators, opponents contend that such a national deposit requirement would create nightmare sanitation problems for the industry.)
- A "Malt Beverage Interbrand Competition Act" allowing brewers to require restaurants and taverns to purchase beer from a single designated distributor. (Besides eliminating price competition among malt beverage suppliers, critics of the pending "beer bill" fear that passage would encourage other supplier groups to seek similar antitrust exemptions to establish exclusive territories for their distributors.)
- Legislation sharply restricting the availability of low-interest Industrial Revenue Bonds to restaurants and other commercial businesses. (Under this measure, fast feeders and other restaurant chains would not be able to use Federally subsidized IRBs to finance construction of new units except in "economically disadvantaged" areas.)
- A Federal antipolygraph bill prohibiting employers from requiring workers to submit to lie detector

(Continued on page 70)

The meat of the U.S.D.A. proposal

- *Beef carcasses with only "moderate" marbling would be graded U.S.D.A. "Prime."* Under the present system, beef must have at least "slightly abundant" marbling in order to be sold as Prime. The proposal would reduce minimum marbling requirements for Prime carcasses by one full marbling score.
- *Carcasses with "modest" or "small" marbling scores would continue to be designated as U.S.D.A. "Choice," while those with only "slight" marbling would be graded Choice as long as they have at least 0.3 in. of fat over the 12th rib and that fat is no more than slightly yellow in color.* The present system requires cattle to have at least a "small" amount of marbling to qualify as Choice, while carcasses with "slight" marbling are placed in the U.S.D.A. "Good" category.
- *All "A" and "B" maturity cattle with less than 0.3 in. of fat over the 12th rib and only "slight" marbling or yellow fat would fall into the Good grade.* Currently, carcasses with "slight" marbling scores are designated U.S.D.A. Good, while those with only "traces" of marbling or less are graded U.S.D.A. "Standard."

Under the cattle industry plan, the U.S. Standard designation would be eliminated altogether, and all carcasses that fail to qualify as Choice would be graded Good.

As under the present system, the proposed grading standards would require that all "B" maturity carcasses have additional marbling to qualify for a given grade.

According to the National Cattlemen's Association, these changes are needed to discourage ranchers from overfeeding cattle to produce more heavily marbled carcasses, and to promote the production of more lean beef favored by nutrition-conscious consumers.

NCA officials maintain that the new grades will result in reduced beef prices because average cattle feeding time will be shortened by as much as a full month.

In addition, spokesmen for the cattle industry dispute claims by food-service leaders that the grading revisions will have a negative effect on the palatability of beef. According to NCA, tenderness and flavor is determined by the age of the carcass, not the amount of fat or marbling.

Acquisition trend accelerates

(Continued from page 66)

fallen short of the mark in the results of some of these mergers and are realizing it is not a land of unlimited milk and honey.

An exception may be General Mills, which has the leader in the family seafood market (Red Lobster) and one of the strongest chains (York) in the ailing budget steakhouse market. Moderate expansion looks promising in its Darryl's theme restaurants, but Casa Gallardo Mexican dinnerhouses and San Diego-based Good Earth health food restaurants appear to be stymied.

It still seems as if the British are indeed coming as conglomerate Unigate recently acquired Casa Bonita and its Taco Bueno fast food Mexican units.

West Germany's Wienerwald has its hands full with its two American restaurant chains, Lums and IHOP.

Pressure is mounting on family-owned chains too. Valle's Steak Houses is slated to be sold to a new company of noncompany executives and private investors.

Typical of the trend toward operator acquisitions is the expansion of Custom Management of Pennsylvania, which acquired Macke's and Ogden's health care division as well as Key Management's college feeding operations. (Macke had been acquired by Allegheny Beverage.)

Holiday Inns has Perkins Cake n Steak, while Carlson Companies of Minneapolis has Radisson Hotels, Country Kitchen and TGI Friday's.

To many conglomerates, running food-service chains has become more trouble than it's worth. To many chains owned by conglomerates, the early promise has turned sour. And to those chains which remain independent, the temptation to be acquired or to acquire someone is great—but the reality calls for extreme caution before jumping into these ventures.

NRN FOCUS

FORECAST 1982

Soaring building costs spur a search for smaller sites

With the costs of building new restaurants rocketing, chains that can afford new-unit expansion will be looking for smaller lots on which to build smaller restaurants in 1982.

The chains that have been stunned into submission by real estate and construction costs will be cutting the staffs of their expansion teams.

Few in the industry feel the best sites have already been staked out. Instead, they agree, the science of site selection will have to become sharper. It will be supported by: computer banks loaded with the new U.S. Census data: creative financial experts, and hard-nosed bargainers.

The big chains will try to wring more dollars out of a territory by filling in the gaps between units with smaller units. The smaller chains are looking for conversions to reduce their risks.

Long gone are the days, industry veterans agree, when the entrepreneurs among them could find a good site by circling overhead in an airplane and drop a flour sack to mark the spot of their next unit.

Chains clamped down on site selection criteria several years ago when they followed McDonald's lead and prepared strict formulas for projecting sales on a proposed new site.

In 1977, for example, KFC was coming out of a tailspin when they switched to a computerized site selection procedure.

This year, KFC plans to add 90 newly built company stores to the current chainwide United States total of 4,448. But their main emphasis will clearly be on making the best of the sites they staked out early in the industry's life. One-hundred-twenty company units are slated for remodeling this year.

Burger King and Wendy's both are examples of big chains moving to match the size of their restaurants with the size of their new, smaller markets.

"The decision [to go to smaller units] is not new," said Wendy's spokesman Denny Lynch, "but the priority, the emphasis, is. The decision to go with it was made this year."

Wendy's, he said, plans prototypes this year which will have no seats. Instead, the new stores will be drive-thrus or walk-ups only.

The Wendy's walk-ups would be dropped into downtown urban locations, where the costs and projected volume and profitability would normally be prohibitive, Lynch said.

The drive-thrus, Lynch said, would be nestled in suburban areas between several sit-down stores. A new full-size store would normally cannibalize traffic from one of the others, but a drive-thru would simply complete saturation, he said.

Burger King, which plans to add up to 300 units this year to last year's 2,915 United States units, will be stepping up the pace of its 50-seat-unit growth.

Over 70% of the chain's new units in 1981 were the 86-seat BK-86 models, which require $560,000 for land, building and equipment and a 35,000-sq.-ft. lot. But that share will decrease this year as Burger King moves into smaller markets.

The 50-seat BK-50 costs $450,000 for land, building and equipment and needs only 25,000 sq. ft.

While the big chains are finding proven locations in the back-fill method, smaller chains are finding proven locations in conversion.

Defunct gas stations, according to Bob Bryant, president of Dobbs Houses, "make excellent sites. And the major oil companies have excellent real estate departments."

Dobbs Houses, which operates 250 Steak n Eggs and Toddle House restaurants, finds gas stations well-tailored for conversions.

Conversions cannot work well for restaurants that depend on their architecture for signage, though. Defunct pizza, Mexican or other specialty restaurants cannot be converted from one to the other cheaply, Bryant said. So the only alternative is to tear them down.

Aculpulco y Los Arcos, the growing Mexican dinnerhouse chain, though, has been going the conversion route. The chain was to have 30 units by 1981 year-end with aggressive plans for this year.

Despite the growth plans of some chains this year, others will still be feeling the effects of high interest rates and a continued recession in the construction industry.

Industry insiders expect to see real estate and expansion staffs cut back this year if the economy fails to improve. Faced with minimal growth, 180-unit Druther's, which used to be called Burger Queen, was forced to lay off several employees in its expansion department, for example.

Executives agree that 1982 will be a year of conservative decision-making in real estate. But with the new U.S. Census data supplied last year, planners enjoy the most up-to-date and detailed information they have had in years.

STANDOUT INDUSTRIES AT A GLANCE

(Third Quarter 1981)

The Best		The Worst	
Industry	% Change in Profits vs. 1980	Industry	% Change in Profits vs. 1980
Steel	+1,609	Food & Lodging	−11
Tire & Rubber	+ 114	Electrical	−13
Special Machinery	+ 51	Office Equipment	−14
Oil Service & Supply	+ 48	Paper	−21
Chemicals	+ 36	Metals & Mining	−25
General Machinery	+ 32	Airlines	−30
Retailing (Nonfood)	+ 22	Building Materials	−35
Utilities	+ 21	Real Estate & Housing	−76
Railroads	+ 20	Automotive	Net Loss
Beverages	+ 19	Savings & Loan	Net Loss
All-Industry Average	+ 11		

Source: *Standard & Poor's Compustat Services Inc.*

Food service facing active legislative agenda

(Continued from page 68)

tests. (Such a national polygraph ban would strip food-service chains of one of their most effective tools for detecting dishonest employees or job applicants, opponents contend.)

In addition to these proposals, there's an outside chance that Congressional franchise "reformers" may launch yet another drive to enact Federal restrictions on unilateral terminations and nonrenewals by fast-food franchisors. Another dark horse legislative possibility of concern to burger chains is the prospect of further action by Rep. Benjamin Rosenthal (D-N.Y.) to clamp down on cut-rate Small Business Administration loans to franchisees of large corporations.

But at the same time, lobbyists for the restaurant industry will be pushing legislative proposals of their own.

One such measure would extend Federal energy tax credits to food-service operators who purchase energy saving equipment or materials. Although similar credits have been available to both residential and industrial energy users for several years, commercial establishments are not currently entitled to the same tax breaks.

Another key food-service-supported measure sure to be reintroduced during the new session would stimulate restaurant business across the country by allowing companies to tax deduct the cost of offering workers off-premises meals as an employee benefit. Currently, employers may deduct only the value of meals served to workers on their own premises.

Unfortunately, the legislative outlook for both of these measures appears to be dim in view of Reagan Administration resistance to virtually all Congressional proposals which would further drain Federal tax revenues. Indeed, there are reports that a series of White House-backed "tax enhancement" proposals likely to surface soon may well include increased Federal excise taxes on liquor, beer and wine.

The brightest spot for food-service chains on this year's legislative agenda may well be the current Congressional drive to streamline the Treasury Department's costly and cumbersome Federal pension rules.

The next 12 months should also see some significant decisions by the Federal courts in a number of areas of concern to the food-service industry.

Attorneys for the National Restaurant Association are considering legal action to force a showdown with the American Society of Composers, Authors and Publishers on the issue of whether restaurateurs may legally use home radios to provide background music in their establishments without paying royalties to copyright holders.

In a separate case, a Federal appeals court is preparing to hear the Government's appeal of a potentially landmark legal victory by Morrison's on the employee meal credit issue.

Despite Reagan Administration efforts to pare down on burdensome Federal rulemaking, food-service operators are again faced with more than their share of Washington regulatory headaches.

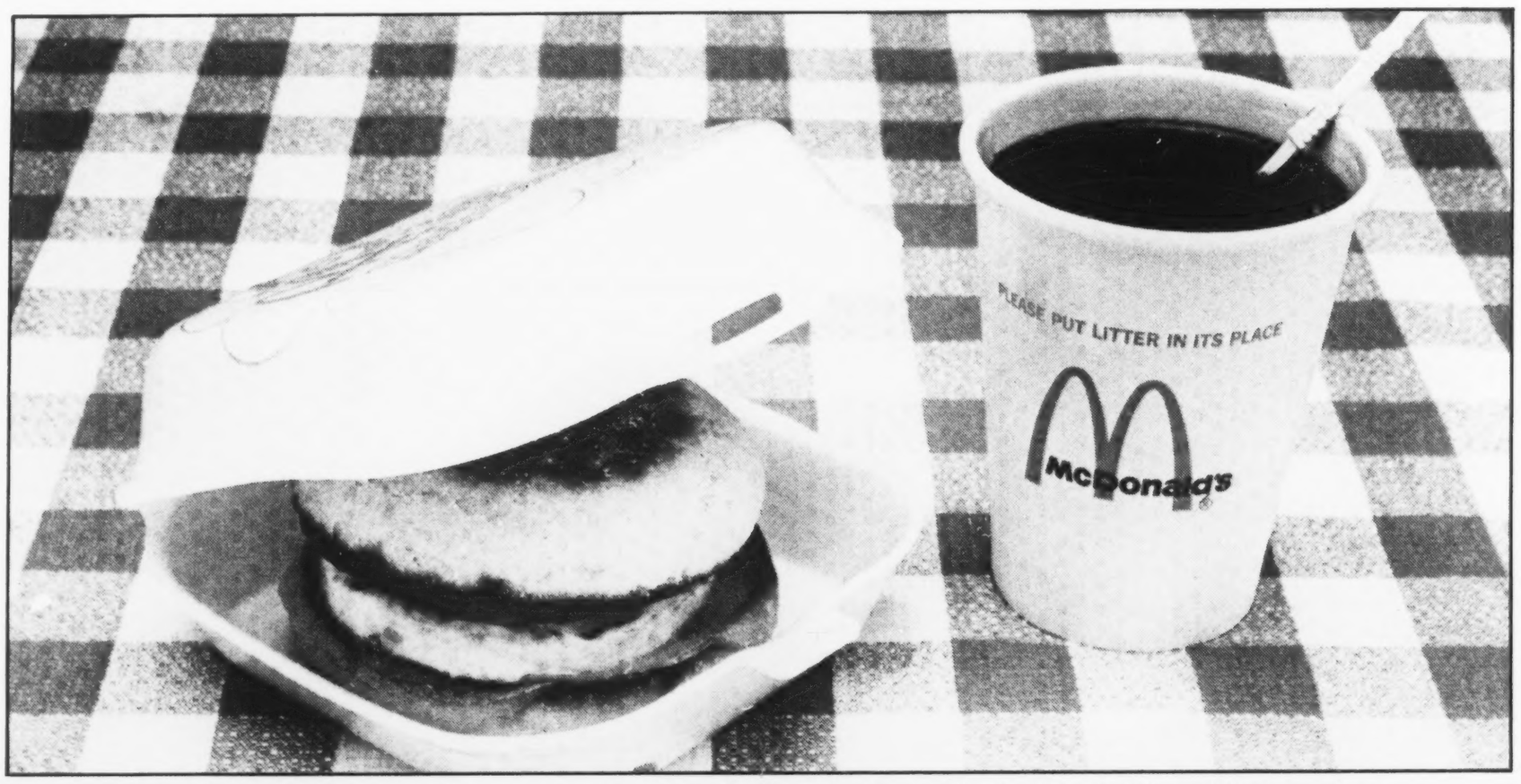
Besides the U.S.D.A. meat grading scheme and the Labor Department's imminent minimum wage enforcement crackdown, restaurant industry lobbyists are concerned about a wide range of proposed shifts in agency policies and pending regulations, including:

- Small Business Administration plans to revise the size standards for food-service firms eligible for Federal loans and loan guarantees.
- Still-to-be-released Agriculture Department proposals to radically alter Federal school lunch program standards.
- New Equal Employment Opportunity Commission enforcement guidelines involving on-the-job sex and age discrimination.
- Proposed revisions in the Food and Drug Administration's model food-service sanitation ordinance.
- Rapidly shifting Federal Trade Commission policies governing industry advertising practices and Government merger enforcement strategies.
- Controversial U.S.D.A. regulatory interpretations governing meat labeling by food-service central kitchens and licensing under the Perishable Agricultural Commodities Act.

NRN FOCUS

FORECAST 1982

Breakfast competition gets serious



McDonald's will face stiff competition from other fast feeders in the battle for the 1982 breakfast market.

Think of breakfast as a doorway restaurant operators are crowding around.

The doorway is slowly getting bigger. The glimmer of profit across the threshhold is bright. Still, only so many can get through.

In the growing crowd, pushing and shoving are inevitable. The quickest and fittest do get through. Some, of course, get bruised. Naturally, not everyone makes it.

How does that picture affect 1982?

Simply, this will be the year the pushing and shoving to get a share of available restaurant breakfast business gets serious.

The last two years breakfast traffic grew quarter by quarter—except for a slight decline last winter. Breakfast became a key part of operations for many companies. It became evident that fast-food chains' expanding breakfast business was coming at the expense of coffee shops.

The breakfast field crowded rapidly as more and more jostled to get through that doorway. By the end of 1981, suspicion grew that the breakfast pie is not nearly big enough for all who want a piece of it.

What the reaction to these factors will be for most of the coming year is already apparent.

- Fast feeders without an established morning business must offer distinctive products and clearly differentiated marketing strategies.
- Coffee shops must war with price and build their weekend and family market with price and advertising.
- Food-service management companies serving private industry must promote breakfast to their clients; the business is there if they can get a foot in the door.
- School contracting may possibly open up for some with a fallaway of U.S. Government support.

Most visible in the breakfast fight will be the fast feeders. The storm of battle broke in this segment eight years ago when 7-Eleven convenience stores introduced hot breakfast sandwiches and McDonald's answered with the Egg McMuffin. McDonald's added a full breakfast line in 1977-81 breakfast sales were an estimated 17.9% of the chain's total sales. Other fast feeders like Hardee's followed McD. Some major ones held back.

Burger King did not decide to add breakfast nationally until last spring. About three-quarters of Burger King's units still do not serve breakfast.

At Wendy's, breakfast is still being tested and no timetable for a rollout decision has been disclosed.

Arby's franchisee Horn & Hardart is serving breakfast in New York but Arby's company store testing is still "down the road," said a spokesman.

There's no doubt that fast food breakfast gains that have occurred have been at coffee shops' expense. Coffee shop breakfast sales erosion has hit those menu items also offered by fast food chains.

Nonetheless, fast feeders seeking new breakfast business will try to differentiate themselves from competitors.

Jack-in-the-Box is testing breakfast croissants with fillings of sausage and egg, bacon and egg, ham and egg and ham, bacon and cheese in units in Phoenix and Houston.

Hardee's is stressing its Homemade Biscuit Breakfast—biscuits filled with a choice of sausage, ham, or beefsteak along with scrambled eggs. (Not all McDonald's, even in the South, offer the company's biscuit and sausage.)

It's clearly a fight. At Burger King units with breakfast, sales of the new items were well under 10%, several months after introduction. To build breakfast sales it seems likely that fast food chains new to the market will have a hard battle against the McDonald's, Hardee's, 7-Elevens and others who were there first.

At one time the key to building fast-food breakfast sales was supposed to be putting in drive-through windows. A study by analyst Carl DeBiase, comparing McDonald's and Hardee's recent breakfast sales indicates, however, that the advantage of a drive-through has been neutralized as so many drive-throughs have been added.

DeBiase also observed that neither new product additions nor promotions seemed to boost breakfast sales at the chains he studied.

He did indicate that units that took telephone orders are getting significantly more breakfast sales than other stores.

Coffee shops, primary victims of this intense fast-food competition for breakfast business, are fighting back with advertising, price specials and some menu adjustments of their own.

Denny's has generated incremental breakfast traffic with heavy TV advertising of its $1.99 Grand Slam breakfast. The chain has also sought family breakfast business, especially on weekends, with its 75¢ children's specials.

As a large portion of Sambo's business fell away and breakfast sales rose to 45% of the total mix, the chain countered with its own 99¢ and $1.99 breakfasts, backed by TV promotion.

Denny's has also been effective in fighting to keep its breakfast business with new local market-targeted breakfast items like scrapple in Philadelphia and lox in Miami.

In spite of ingenious strategies, the overall attractiveness of the breakfast market may seem somewhat diminished by the end of 1982.

Looking beyond the end of the year, analyst Debiase suggested that chains position themselves to a growing, older population. He noted that this group would have increasing free time and a tendency to rise early.

Restaurant stocks should outgain others

Restaurant stocks as a group this year should once again outperform the market.

That's the general consensus on Wall Street, where securities analysts view the outlook for food and labor costs and customer traffic as boding well for a number of restaurant companies.

A 21-stock restaurant group tracked by E. F. Hutton advanced 103% from March 1980 through June 1981, compared with a 29% rise by the Standard & Poor's 500-stock index. (At the same time, the Dow Jones industrial average gained 24%.)

The group's performance slacked in the third quarter, declining by 19% against an 11% drop by the S&P 500. In October, the restaurant index was up 9%, compared to a 5% advance by the S&P 500. In November, the index was off 3%, while the S&P 500 advanced 3.7%.

According to Michael Culp, vice president at E. F. Hutton, restaurant stocks this year should edge up by 25% for any 15% gain by the S&P 500 stock index.

Analysts cite several reasons for being bullish on restaurants:

- The tax cut enacted last summer should spur some consumer spending. As a result, the restaurant industry should "share in incremental disposable income" to some degree, according to William Paternotte, an analyst with Alex Brown & Sons of Baltimore.
- There's likely to be less inflation in some "necessity" consumer items—energy, home mortgage costs, food—than there has been for several years, thus further easing pressures on consumers' pocketbooks.
- Restaurant operators are likely to forego sharp price increases because food and labor costs (there's no minimum wage increase this year) have stabilized.
- Customer traffic could increase as a result of the industry's slower expansion pace.

Taken together, these anticipated scenarios could result in what William Trainer of Merrill Lynch sees as an overall "improvement in the financial footing" of food-service companies.

Improvement in bottom line is not likely to go unnoticed by investors, who last year showed a particular interest in consumer stocks, according to Trainer.

Investors' approach to the restaurant group is likely to be characterized by a degree of selectivity, however, mainly because stocks of some major companies are now considered efficiently priced.

But investors' opportunities should remain plentiful, analysts feel.

"I see an ongoing number of opportunities," said Roger Lipton, President of Lipton Research, a division of Ladenburg, Thalmann & Co. "There are just as many opportunities to outperform the economy and to outperform the stock market as there were a year or a year and a half ago."

NRN FOCUS

FORECAST 1982

Moderate food price increases expected in '82

Overall food prices for 1982 should rise moderately—at a rate of approximately 3%-5% over 1981—if predictions of agricultural economists in the U.S. Department of Agriculture hold true for the entire year. Some foods will ease a bit in price and some will show hikes well above the averages, but in general, food prices should trail the rate of inflation, good news for food-service operators.

Red meat, particularly beef and pork, are the critical sector of prices for the operator. However, estimates of price increases for these two center-of-the-plate commodities are for a range of 3%-5% increase in the first part of the year and a 4%-6% rise in the last half, holding fairly close to the overall rate of increase seen for food as a whole.

The limiting effects of the supply and demand law are nowhere seen as clearly as they are in meat. The operator is at the mercy of two major forces in the marketplace: The producer, who tends to curtail herd or flock when prices are low, and the housewife, who cuts back purchases of meat when prices rise above an invisible threshold. Throughout 1981 this effect was seen as prices rose and fell from about 90¢ a pound at the Midwestern slaughter houses to about $1.15 in midsummer. At the lower prices, producers brought less cattle to market. At the higher prices, the housewife stopped using beef as her main meat and turned to pork and poultry. Each action limited the price trend, and in most cases turned it around substantially.

Three factors are expected to hold beef prices in the 3%-5% rise range. These are anticipated lowering of interest rates through to the second quarter of this year, and lower feed prices through the first half. Costs of raising a pound of beef to the producer will therefore hold steady or even fall about 2%-4%. At the same time, tighter consumer expenditures will also help hold prices down, even though overall costs of labor, transportation and non-feed supplies are expected to rise at the inflation rate, which may be from 8%-10%.

Meat, however, is one of the most volatile commodities, and is affected by a wide range of influences. For example: A move by consumers to use the scheduled 10% tax cut in July to purchase food could drive prices up to 10% over 1981 within a short period.

Hog producers have been disenchanted with the return they have been getting recently, particularly during the last two months of 1981. As a result, hog production will be progressively cut back throughout 1982 unless hog prices rise. With the increasingly large spread between the price the producer gets for hogs and the price the operator pays for pork, it's not expected that overall hog production will expand until perhaps the very end of the year.

This means that hog prices will climb, even though the rise expected is not much greater than that for beef. Affecting the price of hogs is the competition of poultry, particularly broilers. Because the average consumer sees poultry as an acceptable substitute for pork, the price of broilers acts as a cap on the price of the meat.

Overall rise in pork prices to the operator should be in the 7%-9% range as the production falls about 4%-5% a quarter. By the end of the year, production should have turned around and prices started to moderate, keeping the overall annual rise from reaching double digit rates.

For the first quarter of this year, producers are setting more eggs which means greater production. However, producers have been in a pattern of losses for several years, and only the prospect of continued lower feed prices through the first half of the year holds out hope of increased production bringing better returns.

As hog prices rise, broilers will also go up. Wholesale prices for Grade A, icepack broilers in an average of nine cities is now in about the 45¢-46¢ range, with that moving up to about 46¢-48¢ during the second quarter, continuing to climb during the third quarter to 50¢-52¢, and finally falling back to about 49¢-51¢ in the final quarter. This is predicated upon another good grain crop for 1982, however. If there is a short crop, the prices at the end of the year may well be in the 54¢-56¢ range. crop, the prices at the end of the year may well be in the 54¢-56¢ range. Overall, production is expected to be about 2%-5% over last year.

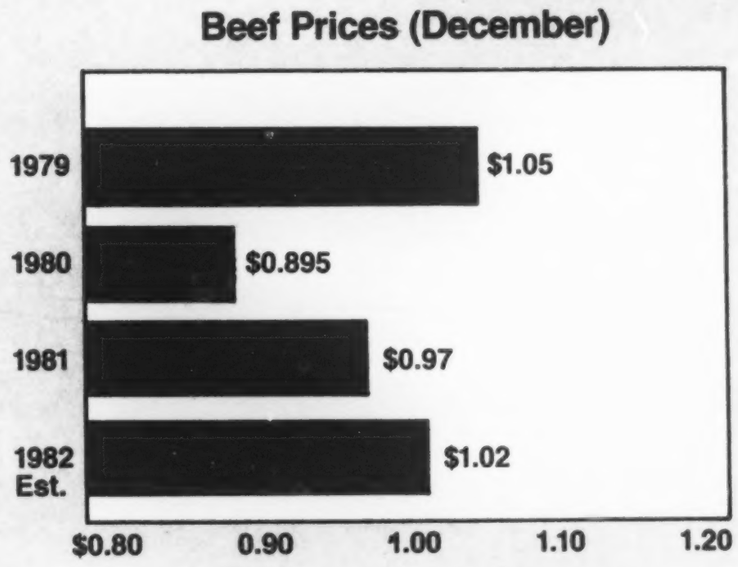
Turkeys, which were in a glutted position during the holidays, still fill freezers around the country. Production should show about a 5% decline during the year, with prices rising steadily to the fourth quarter, showing a wholesale range from 54¢ to about 70¢ by holiday time. That represents the price of a young hen in the 8-16 lb. range. Other sizes will rise in about the same proportion. Again, if grain harvests fall, all bets are off. Turkeys are priced on a direct ratio to the prices of feed grains.

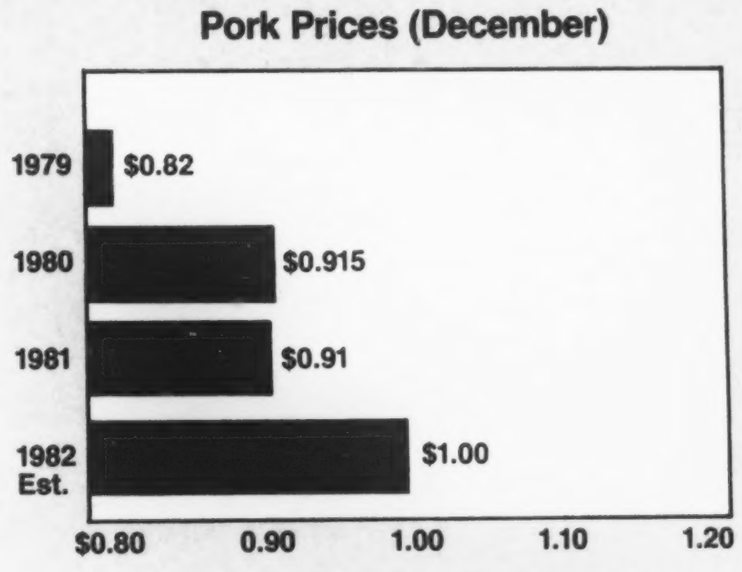
Eggs, another main protein source, are expected to rise much more than meat during the coming year. With egg producers declaring lowered production intent for 1982, the price of a dozen large eggs at wholesale is expected to rise from the low 70's this month to about 80¢ or higher by the end of the year. This is a rise from 12%-14%, based upon higher meat prices plus a drop in production of from 1%-3% by producers.

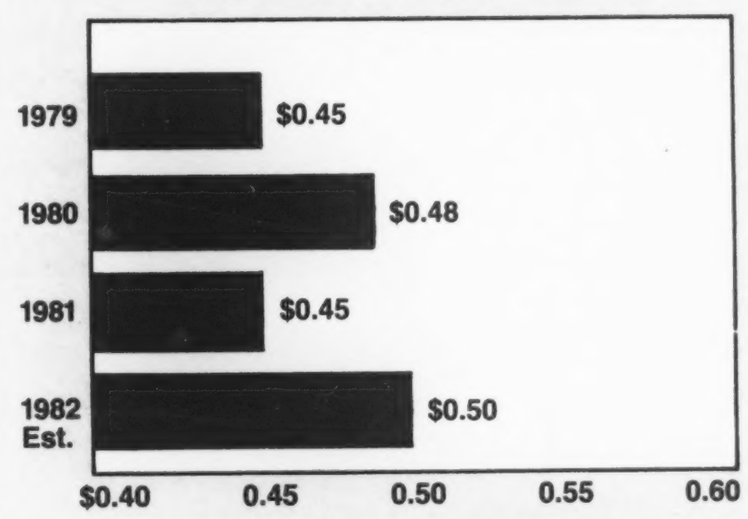
Tomato products will increase slowly but steadily throughout the first half of the year, based upon demand and lowered stocks in the

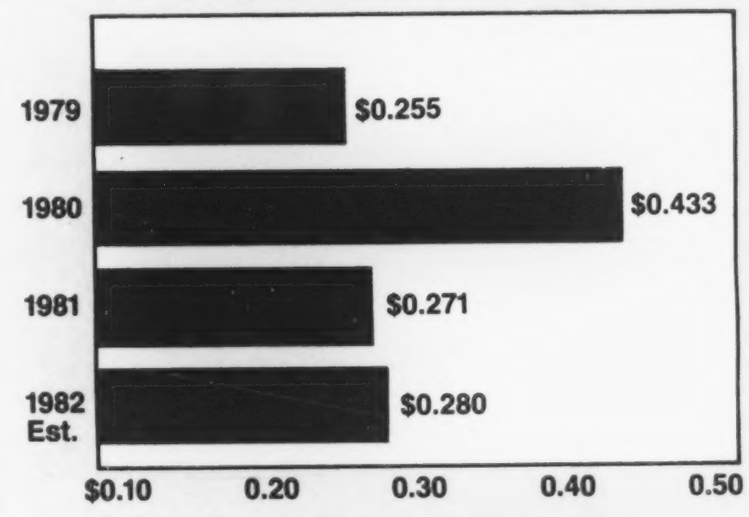
(Continued on page 78)

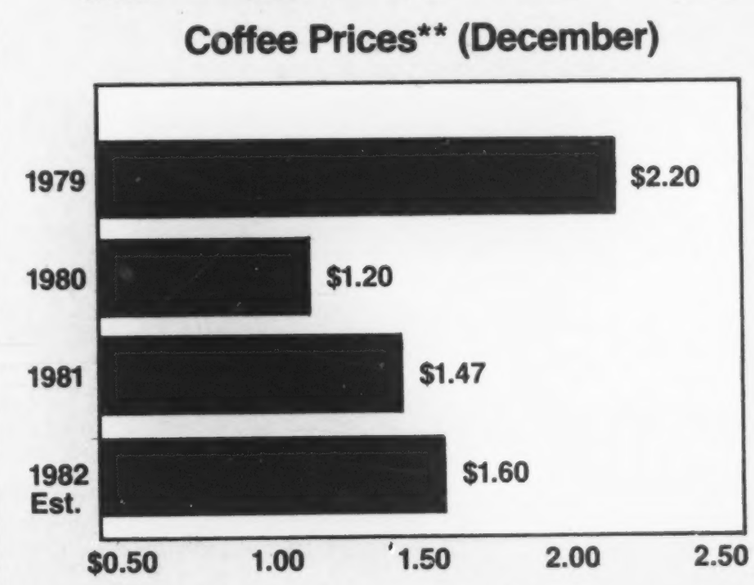
COMMODITIES OUTLOOK AT A GLANCE

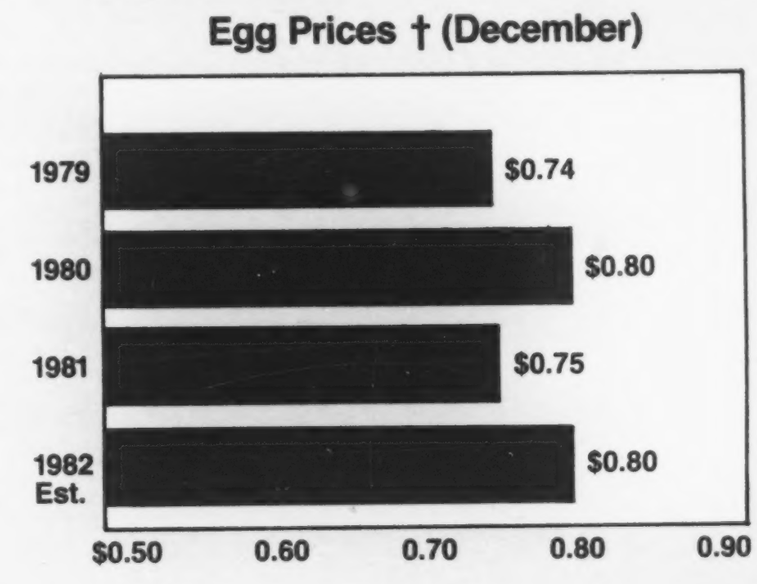












Source: *NRN Research*

*Prices for refined cane sugar, f.o.b., N.Y.C.

**Prices for green beans, f.o.b., N.Y.C.

†Prices for large, grade A (dozen), Chicago

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Food price outlook appears favorable for restaurants

(Continued from page 76)

packers' warehouses. However, it's expected that processors will contract for more acreage this spring, increasing the pack in 1982 to as much as 15% over last year. Since processors contract in advance for about 70% or better of their entire estimated pack, if the harvest is a good one, the price of tomato products for the second half of the year should show a substantial drop—quite possibly 5%-10%.

Canned green peas have been packed in lower quantities over the past 2-3 years, although consumption has dropped at the same time. The producers sense some turnaround this year, however, and spring pack plans are expected to call for a larger processing budget if the weather permits. Frozen peas, which have had an increasing share of the market over the same period, had the smallest pack in 1981 of the last three years, and prices are up sharply. Prices will continue to rise on frozen peas as stocks are pulled down over the first half of the year, then moderate and perhaps drop again when the pack statistics for this year are revealed in late summer. With good weather, the last half prices are seen at 3¢-4¢ per pound less than now.

There are large supplies of canned green beans on hand now, and prices have moderated. They are expected to fall a cent or two per pound through spring, but will rise again by summer as canners announce plans to cut back on the 1982 pack. Big carryover, however, will hold price rises down to about 4%-5% during the second half of the year.

Frozen green beans are another story. They are up 5¢ a pound at the producers' docks over 1981, with most of the rise coming in the last three months of last year. Further increases through the first half of the year are expected, and producers' plans for the 1982 pack are still not firmed; prices may continue to rise through the second half if they do not increase stocks this summer.

Although the canned sweet corn carryover from the 1980-81 pack year was smaller than normal, the pack during last year was a bumper one, and the prices are down on a 12% increase in supplies. These lower prices should continue through the first half of this year, with a somewhat smaller pack anticipated for 1982, and small rises in the 2%-3% range for the second half.

Frozen sweet corn is a completely different picture. It rose in price over 30% between the end of 1980 and now, with further hikes anticipated based upon a pack and carryover of less than 50% of 1980's. Price rises for the first six months of this year are expected to continue, with another 4%-5% posted as supplies are drawn down by operators and consumers alike. With a bumper harvest this year, packers will probably freeze record amounts, but if there is an interruption in supply plans, frozen sweet corn could be among the endangered species on operators' menus.

Overall vegetable prices are expected to be in the same 3%-5% increase range as food prices for the year, based upon a plentiful harvest outlook.

Fruit prices will vary from species to species, but overall, the prices are expected to rise about the same as the general food price index.

Orange production is expected to have a crop about 10% lower than 1980's, and down about 20% from the record set in the 1979 harvest. The outlook for frozen orange juice concentrate, therefore is to be up about 4%-6% over present prices, with the Brazilian imports holding a lid upon higher rises. This, of course, is based upon a constant brix strength of the juice, but the recent lowering of Florida production standards to 41.8 degrees from the 43.2 degrees held throughout 1980 will change the picture if it is not overturned.

Essentially, the lowering of the brix strength means that orange juice sold to operators will be "watered down" from the concentrations they are accustomed to. They will have two options if the new strength prevails. One is to serve customers the more watery drink and hope that the fact that all juice is that strength will induce palates to accept the "lighter" taste. The other is to change the settings of the dispensers to continue to serve high brix juice, which will raise the price by at least 5%, even if prices hold steady for the new strength.

Grapefruit and lemons should be in good supply, with harvests in Texas and Florida for grapefruit up about 12% in the last period, giving good supply prospects for the rest of the winter and early spring. The California-Arizona crop of lemons was down slightly from the record set last year, but up substantially from the year before.

The outlook for noncitrus fruit is good, with moderate price increases expected in most types. Apples and applesauce prices will rise somewhat above the average, with an additional 3%-4% increase during the first half of 1982. If the crops are good, the prices by the end of the year should be down somewhat, but increased fuel costs and picking labor rates will keep a floor under any decreases.

There is a glut of sugar on the world markets, and import taxes have been imposed to keep sugar at the level set by law. Depending upon the sugar beet harvest this year, prices could stay in the cellar throughout 1982, for the carryover into the last half will be larger than normal.

Milk prices are expected to rise about 3%-5%, despite the fact that the farm bill retains the price support level at the existing rate until October. The milk price, like those for meats, depends upon the continued economic condition of the country. If the economic climate improves during the second half of this year, the price of milk will climb. If the conditions remain stagnant, there will be a hesitance to increase prices.

Rice is another bumper crop worldwide. A number of the normally importing countries have become net exporters this year, and if there is another good crop year for 1982, the price of rice should stay stable throughout.

Grain prices are directly related to the weather. With a good carryover of corn and most varieties of wheat, feed prices for animal producers are moderately to dramatically down, and this affects the prices of the meat they produce. Russia, however, has had a drastic agricultural shortage for another year, and is looking to the United States as well as other countries to make up the deficit. If demand from overseas remains low, it will affect the prices in this country. Increased acreage of winter wheat has been planted, and harvests should be good if the weather cooperates.

All in all, the outlook for price rises of only 3%-5% will offer the operator a continued supply of affordable food, running lower than the country's inflation rate. With good weather for the 1982 crop year, 1982 promises a favorable outlook for menu prices.

EATING-OUT DEMAND SURVEY

If consumers could eat out as often as they wanted, they would increase their restaurant visits as follows:

Consumer Classifications	Per Cent Increase Over Current Visits
All Adults	34%
Men	23
Women	51
Income over $30,000	17
Income Between $20,000 and $29,000	29
Income Between $15,000 and $19,999	40
Income Under $15,000	56
Ages 18-24	27
Ages 25-34	35
Ages 35-49	46
Ages 50-64	31
Over 65	25
Married	42
Single	31
Single Household	30
Double Household	25
Household of 3-4	40
Household of 5 or more	47
Eastern Residents	31
Midwestern Residents	38
Southern Residents	36
Western Residents	24

Source: *National Restaurant Association*

NRA finding: Americans want to eat out more often

If Americans could eat out whenever they wanted, restaurant crowds would be 34% bigger, a Gallup poll revealed.

The implication of the National Restaurant Association-sponsored survey of 1,694 men and women over the age of 18 is that restaurants' through-the-door traffic could be one-third greater than it is.

Other surveys indicate, however, that many would-be restaurant diners can't afford eating out right now. Increasing outlays for rents and mortgages, heating and electric bills, autos, gasoline and commutation are keeping potential customers at home.

There's some confirmation of this in the Gallup poll, which was taken in September. People likely to be most financially pressed were the most dissatisfied with the frequency they eat out now.

Low income men and women (under $15,000 a year) said they'd like to eat out 56% more than they do. Married people said they'd like to eat out 42% more often—vs. 31% for singles. Consumers with families of five or more said they wanted to eat out 47% more frequently. Those from the economically depressed industrial Midwest said they wanted to eat out 38% more.

Pent up demand for restaurant eating has been building since 1979, the NRA noted. Satisfaction of American consumers' full desire for eating out, though, will probably have to wait.

How long?

It's noteworthy that a slowing of inflation is forecast for this year and a widespread economic advance for the second half. Possibly by January 1983, many more Americans will feel confortable taking seats in the nation's restaurants.

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Financing alternatives the key for growth

Creative financing is a key challenge for a number of restaurant companies bent on expanding or remodeling in 1982.

Despite the recent decline in interest rates, the industry is collectively wary of a renewed upturn in the cost of borrowing money. The high interest of the past two years already sent a number of operators scrambling to come up with alternative financing methods, from public offerings to industrial revenue bonds to joint equity ventures.

Since many have met with success, they're likely to intensify their efforts, while others will follow suit for the first time.

One financing option that's getting a close look is to go public. In the first 10 months of last year, at least nine restaurant companies went public for the first time, raising a total of $30 million with their initial offerings. Among them were chains as small as four-unit, Ohio-based Big Bite and as large as 300-plus-unit Carl Karcher Enterprises, operator of Carl's Jr. hamburger restaurants.

By contrast, only four companies went public in 1980.

Among chains who've hinted they might follow suit this year is Grandy's Country Cooking.

Others are likely to expand with capital secured from several sources. For example, Kelly Johnston, a franchisee of Chi-Chi's which late last year had six units operating and three under construction, expects to have a total of 17 units in operation by the end of this year. New restaurant construction is being financed through joint equity ventures, industrial revenue bonds, and from cash from last year's public offering.

Financing methods likely to be pursued by others include joint projects in which franchisors forego the initial franchise fee in return for higher royalties; projects in which franchisors lower franchisees' capital expenditures by leasing equipment to them, and Small Business Administration loans.

Some companies that don't want to see their growth slowed help franchisees obtain funds by arranging limited partnership ventures with outsiders.

Some companies, while intent on seeing their franchisees keep up a set pace of expansion, are in the position to finance growth of company-operated units entirely, or almost so, from internally generated funds.

Investors and lenders are no longer attracted by the promise that any company, no matter its concept, holds the potential of another McDonald's or Wendy's. Thus, chains whose performance lags behind the industrywide norm are likely to encounter considerable problems when they go looking for financing.

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Budget steakhouses scrambling for new identity

Like pumpkins trying to become carriages, most budget steakhouses will spend 1982 trying to turn themselves into something else.

They'll be waving the wand vigorously with new menu items, new marketing strategies and new decors, hoping for the right magic that will shift them out of the doldrums of their depressed market segment.

They'll even be trying to get out of the budget steakhouse business altogether, either elevating their product—and its price—to dinnerhouse levels or shifting to entirely unrelated concepts.

They are doing this for many reasons. A slack economy in the Blue Collar Belt of the Midwest, escalating red meat prices, aggressive competition from the burger chains and a host of other factors conspired to cause hard times for the segment over the last few years.

These conditions, according to market analyst Robert Emerson, pushed the segment into "the very top end of the fast-food dinner market [from the] bottom end of the dinnerhouse market."

And they show no signs of abating in 1982. Rather than face another year of closing stores and declining profits, most of the segment's large companies have apparently decided they will put budget steak on the back burner and devote most of their energy to both upscaling and a plethora of nonsteak ideas.

The company with the most chips on concept diversification in 1982 is Bonanza. The 635-unit chain is betting on two schemes: a comprehensive menu-upgrading program called "Freshtastiks," and a new newly independent restaurant group called "People's."

During the next year, more than 40 People's restaurants will open. The People's concept—a family oriented $7 check average version of casual theme restaurants such as Houlihan's and Bennigan's—is intended for markets where conventional Bonanzas had closed. But in 1982 People's will take on a life of its own.

Meanwhile the company will continue to unroll Freshtastiks, its new all-you-can-eat food bar concept, throughout more of its surviving budget steakhouses. This program, which also involves a higher grade of meat than the company's old-style units serve, has added from $2,000 to $3,000 a week to weekly sales in the 175 units where it now appears, according to marketing vice president Jeff Rogers.

The segment leader, Ponderosa Systems, will also move toward long-awaited diversification and upscaling of its basic concept. It will slowly deploy its new upscale "Concept '82" throughout the system, in apparent recognition that it must reach outside its rapidly eroding blue collar market base.

Franchisees can be expected to play a major role in Ponderosa's attempts to regroup in 1982. Although the chain lost many franchisees over the last few years, officials privately say that the worst is over. A strong third-quarter performance indicates they may be right. They now give top franchisees unusual freedom in marketing, design, and new product development, several Ponderosa steakhouse operators report.

Ponderosa's home offices in Ohio could be the site of the one of the industry's major developments of 1982: the emergence of a new Mexican dinnerhouse chain.

Company officials have been touring the country's independents and small chains for some time, searching for an upscale dinnerhouse concept to replace the company's remaining unviable steakhouses. Jackson says that only Ponderosa is considering three formats—Mexican, barbecue and upscale chicken. But observers in the financial community and among the company's franchisees claim that its president, Gerald Office Jr., has opted for Mexican and has even established a separate division to oversee the concept's development.

Although the segment's smaller companies have outmaneuvered many of the difficulties afflicting its giants in the past, they too plan to upgrade their product and their appeal. Los Angeles-based Sizzler, for example, will reportedly continue to build restaurants with a new, upscale layout and decor scheme.

The chains in this segment have something else in common besides their shared realization that they must change their market in 1982 or be shut out of it. They are getting tough with marginal franchisees. Bonanza, for example, recently closed down a major franchisee in Ohio for his "chronic" failure to meet the home office's quality standards, and has moved to terminate the chain's largest franchisee for failure to meet payment schedules.

Fast-food chains intensify drive to boost market share

Opening up new meal periods and strengthening market position will be the principal concerns of fast-food chains in 1982.

These moves, already under way in the burger and chicken segments, are part of the fast-food industry's continuing evolution toward a more complete dining experience and, as a result, more complex operations; in the meantime, weaker chains are losing ground as the industry's shakeout continues.

At the same time, fast-food chains are likely to place greater emphasis on unit operations—from product consistency to staff training—to minimize the pitfalls inherent in expanding operations.

The trend away from limited menus and simple operations is perhaps nowhere more evident than at Burger King. The 3,100-unit burger chain, trying to come off last year's less-than-stellar performance, has added a wide variety of new menu items, including an entire breakfast line and dinner platters. The chain's reasoning: customers are more demanding than ever, and as competition intensifies, it takes more than burgers to distinguish oneself from the store around the corner.

Moreover, there's an important financial consideration involved as well. According to Roger Lipton, an industry analyst, "the ability to serve a broad menu becomes a practical necessity when the investment has escalated to close to $1 million" for a fast-food store. "Compound this investment by today's interest rates, and it becomes clear that it is difficult to pay the rent serving burgers or tacos alone."

Like Burger King, other fast-food leaders are broadening their menus. McDonald's, for example, is likely to come out with a pork sandwich to

(Continued on page 88)

FOOD AND LODGING INDUSTRY 1981 RESULTS

(15 Selected Companies)

Company	SALES Third Quarter 1981 $ Mil.	SALES Change From 1980 %	SALES Nine Months 1981 $ Mil.	SALES Change From 1980 %	PROFITS Third Quarter 1981 $ Mil.	PROFITS Change From 1980 %	PROFITS Nine Months 1981 $ Mil.	PROFITS Change From 1980 %	MARGINS Third Quarter 1981 %	MARGINS Third Quarter 1980 %	Return on Common Equity 12 months Ended 9/30	Price-Earnings Ratio 10/23	12-Months' Earnings Per Share
Caesar's World (5)	170.7	10	447.5	12	14.1	127	18.2	– 21	8.3	4.0	23.6	7	1.33
Church's Fried Chicken	100.2	8	285.4	11	10.5	36	30.1	25	10.5	8.3	27.0	7	3.48
Denny's (6)	241.3	16	676.6	17	10.7	41	24.2	80	4.4	3.6	17.6	9	3.25
Gino's	92.0	0	246.9	1	2.5	– 27	0.9	– 77	2.7	3.7	5.7	23	0.55
Hilton Hotels	148.0	5	455.7	7	26.4	2	83.3	4	17.8	18.3	23.6	9	4.12
Holiday Inns	488.3	18	1,341.3	19	57.7	50	124.3	29	11.8	9.2	19.3	7	3.61
Host International	106.6	11	300.3	13	0.8	– 83	2.3	– 79	0.7	4.8	6.9	13	1.14
Marriott	503.4	15	1,379.6	17	28.2	12	64.4	17	5.6	5.8	26.2	11	3.04
McDonald's	668.1	13	1,880.2	14	75.8	19	203.6	21	11.3	10.8	22.3	10	6.32
Ponderosa Systems	91.6	16	277.4	12	2.7	155	3.9	13	3.0	1.3	7.5	12	1.22
Ramada Inns	110.2	11	309.1	11	– 32.6	—	– 24.4	—	—	5.6	– 11.2	—	– 0.64
Resorts International	100.1	– 4	276.2	– 7	– 10.0	—	– 2.6	—	—	12.2	0.7	—	0.10
Saga	193.6	12	613.7	12	2.1	115	7.4	125	1.1	0.6	18.4	7	2.58
Sambo's Restaurants	125.6	2	367.8	– 1	– 13.1	—	– 29.8	—	—	—	—	—	– 2.70
Webb (Del E.)	140.6	19	386.5	6	5.1	257	15.1	84	3.7	1.2	8.5	7	1.14
INDUSTRY COMPOSITE	3,280.1	12	9,244.1	12	180.8	– 11	520.9	– 2	5.5	6.9	17.4	10	3.27

Source: *Business Week*

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Fast-food chains seek more reach

(Continued from page 87)

strengthen its dinner market, while Wendy's is banking on a breakfast line to increase average unit sales.

In the chicken segment, where sales have traditionally been stronger at dinner, KFC is attempting to boost lunch traffic with a chicken breast filet sandwich.

A similar philosophical approach to satisfying the consumer's appetite for new items and boosting sales is now also evident elsewhere. Jerrico's Long John Silver's fast-food seafood chain, for example, is testing a baked fish product that company officials hope will open an entirely new market for the 1,100-unit chain.

The "me-too" approach to menu introductions, however, can have pitfalls. Not all new programs are equally successful at every unit; breakfast may be profitable at one Burger King restaurant while a losing proposition at another. Finding a way to balance the demands of individual operators while at the same time promoting a consistent image chainwide, will occupy much of the fast-food industry's collective management minds this year.

Moreover, all these efforts are costly, and result in increasingly complex operations that create a need for greater management expertise if standards of quick service and product consistency are to be upheld. Thus, the coming year should see more stress on unit-level operations by way of decentralization, a course now taken by Burger King, among others.

As competition for market share intensifies, chains already on strong fiscal footing are in the best position to adapt to changing times; they have the resources to continue unit expansion programs while developing new management expertise. Weaker companies may well find themselves in serious trouble.

TOP AD SPENDERS IN SIX SELECTED MEDIA

January—June 1981

Chain	Total (millions)	Media Used					
		Magazines	Newspaper Supplements	Network TV	Spot TV	Network Radio	Outdoor
McDonald's	$55,703.6			X	X	X	X
Burger King	20,464.4	X		X	X		X
KFC	15,783.8			X	X		X
Wendy's	11,261.9		X	X	X	X	X
Red Lobster	10,562.9				X		X
Pizza Hut	10,361.9		X	X	X		X
Long John Silver	8,545.6				X		X
Denny's	6,022.7			X	X		X
Arby's	5,325.3		X	X	X		X
Jack-in-the-Box	4,483.0				X		X
Hardee's	4,174.7				X		X
Sambo's	4,088.6	X			X		X
Sizzler	3,690.5		X		X		X
Dairy Queen	3,572.1				X		X

Source: *Leading National Advertisers Inc.*

Growth foreseen in coffee shop segment

Demographics and changing consumer attitudes could favor growth for the coffee shop/family restaurant segment in 1982 and beyond.

Those who are bullish about the coffee shop/family restaurant segment point to several examples of strengths of chains within the segment to support their theory that coffee shops and family restaurants are best positioned to offer consumers what they want in the 1980's.

Bob Evans Farms Foods, a darling of Wall Street analysts, is a strong Midwest-based family restaurant chain with average unit sales closing in on $1 million a year. The 74-unit chain appears to be doing just about everything right.

Denny's, which is upgrading older units and slowing expansion, posted a 41% earnings increase for the first quarter ended Sept. 25. Friendly's, which upgraded the decor and service system and expanded the menu to reposition 400 units as family restaurants, reported at one point last year that average unit sales were running 17% ahead of 1980 sales.

Shoney's Inc., which operates Shoney's Big Boys, has reported sales and earnings increases in every quarter for the last 21 years.

In 1982, coffee shops and family restaurants will continue to stress the quality and value of their products and service. They are targeting their ads to those who are trading up from fast food and those who are trading down from dinnerhouses.

Annual per-unit volume is expected to remain strong. The top national and regional chains, as well as strong local chains such as Lyons in southern California, have average annual unit sales in the $900,000-to-$1.2-million range.

Check averages remain surprisingly low throughout the segment. Average unit volume for all chains in the segment was about $675,000 last year. Food costs were about 35% and payroll costs nearly 29%.

Coffee shops/family restaurants have a pretax profit of 5.3%. About 46% of coffee shop customers are between the ages of 25 and 49 and more than 37% of the customers earn between $8,000 and $14,999.

Breakfast continues to play an important role in coffee shop sales as well as advertising and promotion plans. Breakfast accounts for 26% of segmentwide sales.

Many of the segment's largest chains have tough problems to overcome. Sambo's after reporting a $29 million loss for the first nine months of 1982, shut 447 stores and filed for Chapter XI bankruptcy. Nineteen eighty two will obviously be critical to Sambo's survival.

Some older chains—IHOP, Howard Johnson and Perkins—are struggling to get back to former levels of profitability. At HoJo's much will depend on new directions initiated by G. Michael Hostage who replaced Howard B. Johnson as chairman and president.

Lady Luck smiles on some dinnerhouse chains

Paddlewheel riverboats may be scarce these days but gamblers are not.

This year will again see a stack of dollar bills bet on the dinnerhouse/specialty restaurant segment that has produced a lot of winners—and some big losers, too.

Call them adult fun, theme, specialty restaurants or what you will, they are "in" and to many represent "the restaurant of the 1980's."

Chains in almost every segment are working behind the scenes to come up with their own T.G.I. Friday's, Houlihan's or similar dinnerhouse concept.

Ponderosa has reportedly established a new division to develop a Mexican dinnerhouse. Campbell Soup Co. will look for sites in Philadelphia, New York and Washington for its new McDoogal's Fun 'N Foodrinkery. Chart House will convert 14 Cork 'N Cleaver restaurants to Cisco's Mexican dinnerhouses and build about five more Cisco's from ground up.

Pillsbury's Steak and Ale plans to more than double its 53 Bennigan's by mid-1983.

Obviously the move is continuing away from steak and beef to broad and changing menus.

That food is often "light" only in name as popular items are often bar foods designed to enhance the segment's already high liquor sales.

Steak & Ale's board chairman and ceo Norman Brinker pointed to high demand for hot appetizers served at the bar in Bennigan's.

Biggest limited menu trend for 1982 will continue to be Mexican.

Fighting for new markets in the Midwest, mid-Atlantic and Northeast will develop between W. R. Grace's El Torito-La Fiesta group, Chi-Chi's, General Foods' Guadala-Harry's, General Mills' Casa Gallardo and others.

Barbecued ribs will certainly get their trial. Tony Roma's just opened a new unit in New York that may be a bellwether of future expansion plans.

Chart House is plotting an ambitious franchising program for recently acquired Luther's Bar-B-Que.

That a dinnerhouse investment is a gamble is evident in the problems of limited menu and theme restaurants. Quaker Oats' flagging 92-unit Magic Pan chain, which once did so well with crepes, is now on the block. Victoria Station, once a tremendous success with prime rib and railroad cars, is now turning around after two years of struggle. The problems that led to losses of $7.6 million in two years grew out of the menu and, to some extent, the theme that originally led to large profits.

On the other hand, General Mills' Red Lobster and West Coast-based Hungry Tiger seem beneficiaries of a long-term growth in demand for fish and seafood products.

Red Lobster plans about 30 new restaurants for 1982—on a base of 300. Hungry Tiger says it will add six new units in fiscal 1982 to the 29 in operation.

For 1982 and beyond, the dinnerhouse segment has, for the most part, opted for diversity of menu, a wider audience and concepts easily adaptable to changing times. But what is sensible today may not be tomorrow. Much current expansion still has to be rated a gamble.

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Department store feeders adapt to working women

According to managers of department store feeders, the biggest surprise this year will be the absence of the captive shopper. Discount and variety store operators will be refurbishing soda fountains and changing in-store locations.

Working women have changed the chemistry of department store traffic and in doing so changed the profile of the restaurant's customer.

"Gone is the image of the woman who stays home, drifts around a department store and finally orders a tuna on rye" in the restaurant, says Alan Reyburn, director of restaurant development for Bloomingdale's. "More and more women are at work instead. That's a dominant factor in our business as 85% of the store's customers are women."

It boils down to a new picture for the department store restaurant. Many will have to face the fact that they must seek, develop and market to a new clientele, something many of them are not used to doing, says Federated Department Store's director of food operations Rick Ring.

More stores are likely to imitate those that have been successful by providing restaurants that enhance the store's image, develop programs that dovetail with the store's retail strategy and merchandise within the unit on a regular basis.

"What I think you might begin to see," says Bob Jones of Nieman-Marcus, "is the establishment of different price points for different areas of the store, or 'boutiquing.' " For instance, the high-priced women's sportswear department might contain a small cafe or a movable kiosk that would serve English tea.

For some that may mean hiring an outsider to do the job. Long ago Macy's installed a local concept, P. J. Clarke's, into their successful Cellar, an upscale housewares department. More recently, however, Bergdorf Goodman hired a retail operation called Pasta and Cheese to open a cafe featuring their products in the New York store. San Francisco's I. Magnin, which has never operated a restaurant, asked a local restaurateur, Narsai David, to run a cafe, bakery and charcuterie in the store.

"Food service with largely unqualified leadership and a lack of true conviction by store management may find this is the way to go," says Reyburn, but he cautions that the department store loses some control.

Modified service or self-service will play some part in the future. Cutting labor costs offers the store operator his most likely route toward hedging inflation. With customers looking for a way to get in and out of the store as quickly as possible, buffets, such as the fruit and cheese buffet at Wanamaker's, speed up transactions and cut unnecessary and unwanted service.

Both Bloomingdale's and the May Co.'s Famous-Barr department stores will be featuring entrees to go. Bloomingdale's is featuring the recipes of Michele Guerard, the famous French chef, and while the entrees will be cooked in the restaurant they will be available for take out in the retail food shop only. Famous-Barr plans to offer entrees to go in their restaurant in the Chesterfield Mall, located in a suburb of St. Louis. The mall is slated to open in the fall of 1982.

EATING PLACE SALES BY REGION

(In Billions)

Region	1981*	1982*	Per Cent Increase*
New England *(Conn., Me., Mass., R.I., N.H.)*	$ 4.21	$ 4.55	8.0
Middle Atlantic *(N.Y., N.J., Pa.)*	11.84	12.83	8.4
South Atlantic *(Del., D.C., Fla., Ga., Md., N.C., S.C., Va., W. Va.)*	13.62	15.15	11.2
East North Central *(Ill., Ind., Mich., Ohio, Wis.)*	16.11	17.50	8.6
West North Central *(Iowa, Kan., Minn., Mo., Neb., N.D., S.D.)*	6.44	7.17	11.2
East South Central *(Ala., Ken., Miss., Tenn.)*	4.08	4.52	10.7
West South Central *(Ark., La., Okla., Tex.)*	8.84	10.02	13.3
Mountain *(Ariz., Colo., Idaho, Mont., Nev., N.M., Utah, Wyo.)*	4.43	4.98	12.4
Pacific *(Alaska, Calif., Hawaii, Ore., Wash.)*	14.85	16.49	11.1
TOTALS	$84.42	$93.21	10.7

Source: *National Restaurant Association*

*Projected

In the discount store business both Woolco and K mart have moved their soda fountain operations to the front of the store after concluding that the purchase of a hotdog, soda or popcorn is an impulse purchase. After changing the location in a few Indianapolis test stores, K mart will be putting fountains next to entrances in all new stores and will be converting all existing stores over the next few years.

Woolco stores will also be redone so that food operations are next to entrances and in Woolworth's units the company is refurbishing and remodeling stores on a unit-by-unit basis to keep them up to date. In one type of store counter seating, which may stretch 100 seats long, is being torn out and group seating is being put in its place.

Contractors stress variety, seek new markets

Contract feeders will ride into new frontiers in 1982, exploring markets such as health care facilities and elementary school food programs formerly subsidized by the Federal Government.

Changes are also expected in menus, which will become increasingly varied and innovative with ideas such as meals bought "by the ounce" instead of preportioned. Nutrition, too, is seen as gaining ground in public consciousness.

Airlines feeders see an increased awareness of diet and nutrition and say this will continue to effect menus into 1982. Eastern's Wolfgang Dieht, director of dining services, felt more soups would be offered and that menus would deliberately contain fewer high cholesterol foods.

Public demand for new tastes is effecting menu planning as well. Richard Valenti, of United Airlines, cited the expansion of breakfast offerings to include quiches, cheese blintzs and sour dough French toast as examples of how alternatives to standard egg dishes are being developed.

New snacks have also been introduced, in many cases at the request of passengers. Most sandwiches have been taken off United's snack menu and replaced with cold plates, chef's salads and soup. A club sandwich is still available.

Although attention on snacks and entrees is toward healthful foods, airlines are also concentrating efforts on desserts and presentations. Desserts on United Airlines, for example, include chocolate chip cookies in a brown paper bag, chocolate-covered raisins and peanuts in a mix and individual packages of butter cookies.

When passengers were asked what they wanted, they said fruit, according to Valenti. "We gave them fruit and we got killed.

Most of the desserts now offered are packaged in such a way that "if the passenger doesn't want it, he can take it home for his kids."

As a result of the air controllers strike, airlines find themselves flying fewer flights but feeding more people. This happened because many short-haul flights were eliminated while long-haul flights continued.

Economics have also played a role. In many cases, airlines are offering low competitive prices as inducements for people to fly. Although the price is lower, airlines report that customers' expectations haven't lowered.

To cope with soft passenger counts and high customer demands, some creative ideas are being used by airlines. United Airlines, for example, has reduced fares on its commuter flights, while at the same time giving a boxed lunch.

The menu for the boxed lunch is identical to what was previously offered for that meal. The difference is the presentation, which enables the airline to reduce costs.

Airlines are also expected to continue experiments in new technology aimed at reducing costs. Eastern is serving cold plates kept fresh in special containers on some flights. This eliminates use of ovens.

On the ground, contract feeders expect to be looking into hospitals, nursing homes, white collar businesses and schools as future markets. Like airlines, they will stress variety.

One innovation expected to gain increasing acceptance is the sale of foods in cafeterias by the ounce. Sandwiches, french fries, fried onion rings, chef's salads and yogurt will all be sold by the ounce, thereby allowing customers to order and pay for just the amount they want.

Canteen, Saga and ARA Services all predict tremendous growth in the health care market. Some 70% of health care facilities now run their own dietary departments.

Contract feeders reason, however, that as food cost continues to rise, so will pressure for better food-service management, thus creating a demand for their services. They also believe that preventive medicine and nutrition will also become more popular.

Another new market being explored is elementary and high school food service. Formerly supported by Government funds, schools are now trying to operate on an open cash basis. Many schools are facing this situation and contract feeders say the market is open.

All in all, contract feeders expect 1982 to be a strong year. Although the recession has forced many to tighten controls on capital expenditures and be much more cautious in business dealings, there is a general optimism about the future.

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FINANCING
The search for capital—Pages 15-20

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The Newspaper of the Food Service Industry

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Chains anticipate freeze on '82 menu prices

By Joe Edwards

NEW YORK—A number of fast-food chains are giving customers a break this year by holding menu prices at 1981 levels at least through midsummer.

Barring unexpected cost increases, McDonald's, Arby's, International Dairy Queen and White Castle will not raise menu prices in the next five or six months. Other chains plan to follow suit but would not say so publicly.

The decision to freeze prices is tied directly to food costs, which should remain relatively stable, and the minimum wage, which is not expected to rise this year. Should anything change in these two areas, menu prices will thaw out quickly.

Another contributing factor is the growing concern over consumer price resistance, reflected in flat or sagging customer counts at some top chains. The price freeze, combined with a slowdown in unit expansion due to the high cost of borrowing money, is expected to boost unit sales at existing fast-food outlets.

For some fast feeders, the 1982 pricing policy is a continuation of a practice in effect through most of last year. Menu prices at many fast-food chains remained stable or increased only slightly in 1981.

This latest pricing strategy and the slowdown in menu price hikes last year are in sharp contrast to the situation in the late 1970's, when skyrocketing food, labor and energy costs were responsible for double-digit menu price hikes year after year. In that period, fast-food average checks raced toward the $3 mark.

There had been warnings that fast feeders could not continue to raise prices pell-mell without meeting consumer resistance. Those predictions started to come true in 1980 and continued to a lesser degree last year.

In 1981, a year marked by continued inflation, rising unemployment and a drop in consumer spending power, customer counts sagged noticeably at many chains. Customers were either cutting down on their dining-out occasions or trading up to coffee shops where average checks were not that much higher.

Other factors, however, came into play with the chains' latest pricing strategy. The minimum wage, now at $3.35 per hour, has risen in each of the last three years but no increases are anticipated this year. The cost of food is not increasing as rapidly as it has in recent years.

Beef prices, in fact, actually dropped last year after shooting up drastically during the late 1970's and 1980. Last October, a pound of choice beef bought in bulk cost 98¢, compared to $1.04 in September and $1.07 in the fall of 1980. Bulk beef will cost a little more than $1 per pound this year, according to some estimates.

Commodity prices are difficult to forecast, but the U.S. Department of Agriculture believes overall food prices should rise between 3% and 5% this year over 1981. Beef and pork prices, according to the

(Continued on page 69)

Woolworth revitalizing restaurants

By Susan Spedalle

NEW YORK—F. W. Woolworth Co., a pioneer in in-store feeding, is in the midst of an extensive refurbishment plan of the restaurants in its 1,075 Woolworth and 350 Woolco Stores.

The 102-year-old company is also testing a new concept in a suburban mall outside Philadelphia.

Objectives of the ongoing refurbishment plan are to modernize the company's luncheonettes, coffee shops and cafeterias. Fast-food concepts such as a Harvest House Junior and a snack bar are being added in some locations.

The new concept experiment, six months old, deemphasizes the restaurant's connection with the store. It offers a more limited menu than the company's Harvest House operations. Called The Milling Place, the restaurant features a separate mall entrance, a check built up by the addition of an all-you-can-eat salad bar and western flavored decor and waitress's uniforms.

The Milling Place, located in a mall near Philadelphia, features a separate mall entrance and an all-you-can-eat salad bar.

Many Woolworth restaurants are dated.

The company itself built stores—and put in restaurants—geared to three somewhat different markets during recent decades. However, hundreds of different operations exist today because the company has altered the basic concepts by tailoring the physical site of each store to the area market.

Food-service facilities have never been entirely updated to one or more new prototypes, but have been under review for the past six years. Some elements of the revamping program were actually initiated in 1975.

Woolworth's first started building restaurants in 1913.

Many years after the first luncheonette was built in 1907, the company added hot food.

(Continued on page 69)

NRA launches counterattack

U.S.D.A. beef plan backs cattle industry

By Ken Rankin

WASHINGTON—The agriculture department has uncorked proposed new cattle grading standards which would significantly lower Government quality requirements for Prime and Choice beef sold to restaurants.

Although not identical to the plan advanced by the National Cattlemen's Association last year, U.S.D.A. officials acknowledged that their proposal is "conceptually the same" as that controversial NCA scheme.

Specifically, the department's proposal would slice the minimum requirements for U.S.D.A. Prime-graded carcasses by a full marbling score, while allowing cattlemen to market a substantial amount of tougher, lean beef as Choice.

The National Restaurant Association—which has joined with consumer groups to oppose the cattle industry plan—launched an immediate counterattack against the U.S.D.A. proposal, charging that the pending grade changes "will make it extremely difficult for the nation's restaurateurs to obtain quality beef for their customers."

"We are extremely disappointed by the U.S.D.A.'s action," NRA president Robert Bradford told *Nation's Restaurant News*. "If these changes are implemented, the Government grading system will become virtually useless as a yardstick for determining the palatability of beef."

Under the present ground rules, beef carcasses must have at least a "slightly abundant" degree of marbling in order to qualify as Prime. The U.S.D.A. proposal would allow cattlemen to sell beef with only "moderate" marbling as Prime. According to the department, this change would double the amount of Prime from 5% to 10% of the total United States beef supply.

The U.S.D.A. proposal would also reduce the marbling standard for Choice beef to allow younger carcasses (under 30 months of age) to qualify for

(Continued on page 68)

LATE NEWSBREAKS

Marriott Corp. has disclosed a planned tender offer of $18 a share, or $48.6 million, for all Gino's Inc. common stock. The proposal calls for at least two-thirds of Gino's shares to be tendered, plus Gino's board and regulatory agency approval. Marriott is likely to convert up to 200 of the 313 Gino's to Roy Rogers and sell the rest, along with Gino's 113 Rustler Steak Houses and 43 KFCs—possibly back to Gino's management.

Federal officials are looking at a plan calling for sharp increases in excise tax rates for liquor, beer and wine. Story, page 6.

Bonanza has offered franchisees a royalty plan indexed to the prime rate. When the prime goes over 16%, royalties drop according to a published schedule. Story, page 39.

Wuv's files voluntary bankruptcy

By Roman Czajkowsky

FORT LAUDERDALE—Wuv's International, once heralded by its founder as the future "Cadillac of fast foods," has filed for protection under Chapter 11 of the Federal Bankruptcy Act.

The Fort Lauderdale-based, 75-unit burger chain also laid off 30 of its 50 office employees, closed its California office and, over the past year, shuttered a number of unprofitable units.

According to one report, Wuv's last year lost $1 million on revenues of between $5 million and $6 million. Jack Penrod, Wuv's president and founder, said he did not yet have an accurate report on Wuv's financial condition, but added the company "owes so many bills we had to file to try to get some time to save our company."

Under Chapter 11, Wuv's will continue operating while trying to conclude new agreements with its creditors.

(Meanwhile, Penrod again declined to comment on a report that he's slated to be closely involved with a projected deal in which Taubman Co., a shopping mall developer, would acquire A&W, a 1,100-unit burger chain, from parent United Brands. As reported earlier in *Nation's Restaurant News*, Wuv's and A&W might then be merged.)

Wuv's troubles are reflected to a lesser extent at other similarly positioned, relatively young burger chains, such as Georgia-based Cindy's and Tennessee-based Judy's, that are struggling for market share.

(See related story on Judy's, page 2.)

Among reasons Penrod cited for six-year old Wuv's losses were overexpansion, high interest rates, the economy in general and tough competition from the industry's giants.

Penrod said Wuv's troubles started a year ago when high

(Continued on page 69)

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K mart's Fritz named Furr's vice chairman

By Rick Telberg

LUBBOCK, Tex.—Furr's Cafeterias has consolidated its field operations into four divisions from 11 districts and named as second-in-command Don Fritz, who joined Furr's when it was acquired by K mart in 1980.

Fritz, 52, was named vice chairman and senior executive officer, both new positions, in which he reports to Don Furr, chairman and chief executive officer.

Fritz joined Furr's in 1980 from K mart where he was food operations director. In May 1981, he was named executive vice president for growth and development at Furr's.

Reporting to Fritz will be Harold Andrews who was named president and chief operating officer from vice president for operations. The 44-year-old Andrews succeeds as president his brother Clifford who died in March.

Clifford Andrews went to work for the Furr family in 1946 and was involved at the inception of the chain. Harold joined the firm in 1957.

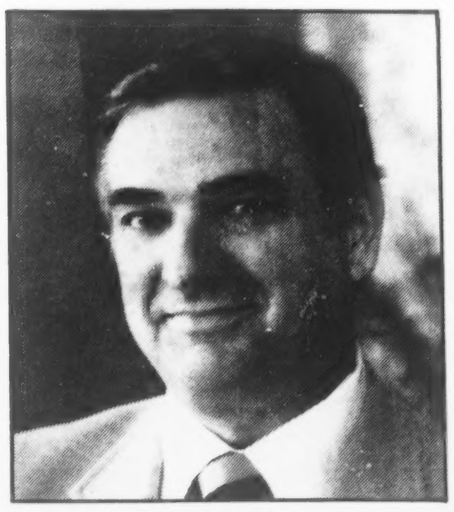
In addition, Don Dodson was named executive vice president for operations from vice president for personnel development. Dodson assumes many of Andrews' former duties and also retains his former authority in personnel matters.

The company said the changes were necessitated by an "ambitious building program."

Furr's, which closed 1981 with 83 units in operation, plans to build 25 new cafeterias this year, according to Bill Dietrich, marketing director. Eleven new units were under construction at the end of the year with 13 undergoing final preparations before groundbreaking.

When K mart acquired Furr's in 1980, officials had hoped for 14 to 16 new units in 1981. Eight units were opened in 1981.

Dietrich said part of the reason for the staff changes was a natural process in converting Furr's from a small, family-run business into a rapidly growing chain. "We could double in size in three or four years," he said.



Don Fritz
Furr's Cafeterias

In order to ease that projected growth, Dietrich said, the chain's 11 operating districts were consolidated into four divisions.

The new division vice presidents are Ray Rue, Ken Rue (they are brothers), Fred Burleson and Keith Ward. All are former district managers. They currently oversee 12 districts; the 12th district was added during consolidation.

Formerly, each district manager, who oversaw five or six cafeterias, reported directly to Harold Andrews. Now those district managers report to the new division vice presidents, who report to Andrews.

"It puts more authority and responsibility out in the field," Dietrich said.

Ponderosa to try Mexican themers

DAYTON, Ohio—Ponderosa has decided to establish a Mexican dinnerhouse division, according to several major franchisees of the 694-unit chain.

The new restaurant theme, these sources said, will replace many of the company's budget steakhouses in markets where they have become unprofitable.

Donald R. Jackson, Ponderosa executive vice president, confirmed that the company is considering diversification into the dinnerhouse segment. But, he said, in addition to a Mexican concept, barbecue and chicken formats are still under consideration.

If Ponderosa does move ahead with a Mexican concept, geography may help it succeed in the hard-hit Midwestern markets where most of the company's budget steakhouses are located.

While the Midwest's souring economy has cut deeply into the disposable income of blue-collar workers—the core market for Ponderosa's budget steakhouses—it has had only a moderate impact on the spending habits of the higher income market targeted by dinnerhouses.

Bob's Big Boys plans new menu/media blitz

By Diane C. Farewell

WASHINGTON—Bob's Big Boys are launching a new menu and media drive aimed at keeping low-end family business from fast feeders, especially at dinnertime.

The move by the Marriott-owned group follows an earlier disclosure by Howard Johnson of a similar marketing thrust based on market research showing the potential vulnerability of fast feeders.

According to Marriott officials, the new menu has already been tested in the Washington, D.C., area, the firm's home base, and is in the process of being rolled out nationally. Marriott currently operates some 250 Big Boy units, with a heavy concentration on the West Coast. Average yearly unit sales are running at about $1 million.

Strategy

Joseph Burke, Marriott's marketing vice president for restaurant operations, said the new menu is targeted against fast food and is aimed at drawing a repeat family business.

Delicatessen-style sandwiches, a line of lighter foods for weight-conscious consumers and a host of dinner foods are the thrust of the new menu. Specific items include roast beef and turkey (in either sandwiches or hot plates), chicken and tuna salads, lasagne, fish, and baked potatoes.

While the new menu items have boosted food costs slightly, margins have remained in the 30%-40% range set by the company and the average check has increased 10%-25%.

In addition to the new items, Burke said, some standard items have undergone changes aimed at improving specifications and presentations. "We looked at things like 'was the bun too large?' They're not huge changes. We took what we had and made it more attractive and more interesting."

So far, according to Burke, customer counts at test units featuring the new menu have increased by 2%-15%. But the company expects even higher returns.

(Continued on page 69)

H&H to convert 15 Judy's to Bojangles

NASHVILLE—Horn & Hardart, through its Bojangles chicken and biscuits chain, has agreed in principle to buy virtually all of Judy's Foods' company-owned hamburger restaurant operations.

The deal involves at least 15 and possibly 17 Judy's restaurants. All units are slated for conversion to Bojangles, a rapidly growing, Charlotte, N.C.-based chain now numbering 52 units.

Takeover Set

Presumably, some or all of Judy's 29 franchised restaurants could eventually merge with Bojangles as well, thus eliminating the Judy's name from the fast-food industry's roster. Nashville-based Judy's Foods, owned by Hospital Corporation of America, had been on the block since September of 1980 when HCA bought Judy's previous owner General Care.

If finalized, the Bojangles-Judy's merger would cost Horn & Hardart $2.2 million or $2.6 million, depending on whether Bojangles acquires 15 or 17 Judy's company-operated Judy's. The sale of the two additional Judy's locations was still being discussed at presstime.

According to an HCA spokesman, the 15 company-operated Judy's are "the primary operating entities" of Judy's Foods.

Judy's 1981 company store sales were about $5.6 million, and the chain was expected to chalk up a loss of about $500,000. It lost an estimated $1.3 million in 1979 and $1.4 million in 1980, according to Carl George, its officer in charge, and a number of stores were closed or leased to operators of other restaurant concepts.

Parent HCA, a hospital construction and management company, had made it clear ever since it acquired the chain that it was not interested in owning a restaurant division.

If finalized, the deal would speed up Bojangles' ambitious expansion plans. Bojangles, which was started in 1977, was bought by Horn & Hardart late last year. Within several months, the chain, whose average unit volume has been running at more than $900,000, grew from 35 units to the current 52. At the time of the acquisition, New York-based H&H, which also operates a mail order division, a Las Vegas casino as well as a handful of Arby's and Burger Kings, said it planned as many as 100 Bojangles this year.

Gino's unit tests spicy chicken

PHILADELPHIA—A Gino's Kentucky Fried Chicken unit here is testing a chicken product similar to that of a local competitor, Chicken George Chicken Inc.

The Gino's Kentucky Fried Chicken franchise launched a test of a spicy southern fried chicken, buttermilk biscuit and collard greens and rice, with an eight-hour give-away at its southwestern Philadelphia unit. The test also includes corn-on-the-cob, mashed potatoes and gravy, and barbecued meats.

In order to add the new menu items, the old faithfuls such as the salad bar, cheeseburger, home-style hamburger and crispy fish were taken out of production.

Gino's has been battling declining profits and is suffering from a fall off in traffic. In its third quarter, ended Sept. 30, the chain's profits fell 26% to $2.5 million from $3.4 million during the same period in 1980.

The style of cooking used by Gino's was described as "virtually the same as" that of the Chicken George company, according to a local newspaper article.

Chicken George, a Baltimore-based, minority-owned company, is expected to have sales of $14 million in five units this year. The Philadelphia store alone does $2.5 million in annual sales. The menu consists of spicy chicken, collard greens, biscuits and sweet potato pie.

"I don't know what their quality is," said Joseph Kennedy, Chicken George vice president, in response to the Gino's test, "and until we are able to make some kind of determination we have absolutely no idea what the impact will be."

President and founder Ted Holmes has said in the past that Chicken George "is just a speck of dust on the head of a pin now," when measured against the whole industry, but indicated that the chain "is the start of something big."

Mike Phillips, vice president of Gino's, said that the test is an attempt to appeal to the predominantly black neighborhood.

"It's not a matter of copying," said Gino's vice president of communications, Mitch Thomas, "it's a matter of trying a new, localized menu to see if it works. We will look and see what the public acceptance is."

HIGHLIGHTS IN THIS ISSUE

Generating capital to finance major expansion and remodeling projects is challenging restaurant operators. In this issue *NRN* examines assorted methods chains, independent operators and franchisees are using to raise capital. *Pages 15-20.*

Quality, price/value and imagination may determine the success of operators regardless of economic conditions. *NRN* editor Charles Bernstein encourages operators to concentrate on finding ways to provide these key ingredients. *Page 6.*

Offering 53 beers is luring customers back to the Whitney Winery in New Haven, Conn. Wine and Spirits columnist Mort Hochstein reveals the restaurant's merchandising strategy. *Page 27.*

Barry Klein, senior vice president of Wells, Rich, Greene in Los Angeles, identifies some marketing problems, including brand name identification, image and promotions, in this first in a series of Marketing Memos. *Page 54.*

Publicity generated when his well-established downtown restaurant was demolished sent customers flocking to another of Leo Groto's operation, the Wellshire in a Denver suburb. *Page 23.*

Strategic planning helped growth and sales at Saga, said Charles Lynch, Saga chairman and ceo, delivering a Burtenshaw Lecture Series address at Washington State University. *Page 30.*

Holiday Inns is joining the trend to upscale hotels for business travelers, planning to build 25 luxury hotels during the next decade. *Page 41.*

Pea Soup is fueling sales growth and plans for expansion at Pea Soup Andersen's, a Buelton, Calif.-based company about to open its fourth restaurant. *Page 11.*

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Vol. 16, No. 2 January 18, 1982

COMMODITIES

Meat prices trend higher; feed grain picture cloudy

NRN Special Report

Although meat prices stayed low during the last quarter of 1981, confusing experts, they are trending up again on the basis of fewer cattle in feedlots and farmers cutting back on hogs. Although producers were receiving less than it cost them to raise the animals, both cattle and hogs came to market in unexpectedly high volume during the final three months of 1981.

While cattle producers are not cutting back their herd as much as had been feared earlier, they are keeping cattle on grass instead of placing them in feedlots. This means the amount of cattle graded Choice will be down during the latter part of the winter and into the spring. At the end of November there were 8% fewer cattle in feedlots than during the same period in 1980.

Heavy production by poultry producers and heavy slaughtering of hogs have kept both meats in a low range. Poultry in latter December was down about 11% below year earlier prices, and during the middle of December, pork dropped to its lowest price level in over a year. However, with slaughter tapering off, pork prices are again climbing.

Consumer purchases for eating at home pose the big question for the meat industry. Will consumers pay higher prices for beef and pork, particularly with cheap chickens available? Will the glut in freezers be able to move at higher prices? The operator is directly affected by movement of meat in the consumer market.

Feed grain picture uncertain

Affected by politics, the feed grain picture has been one of sharp ups and downs during the past month and a half. Upon applying an embargo on shipments of grain assistance to Poland, the futures prices fell—primarily in fear that the embargo would be broadened to include Russia. When that appeared unlikely, the prices bounced back up again. Even though the United States has had bumper crops of almost all of the feed grains this year, there is still enough of a demand from the rest of the world that prices will not be allowed to drop to the levels which will benefit cattle and hog producers greatly.

The U.S. Department of Agriculture believes the Russians may have had their worst grain crops since 1975, and this means they will be into the market here for more grain to bolster their supplies.

PRICE MOVEMENT AT A GLANCE

	Dec. 23, 1980	Nov. 23, 1981	Dec. 23, 1981
Beans, green, canned, Fancy cut 4s, NW (6/10)	$7.75	$9.85	$8.75
Beef, Choice, 700-900 lb., Midwest (lb.)	$1.01-1.02	$0.96	$0.92-0.94
Broilers, Grade A, icepack, NYC (lb.)	$0.4934	$0.4519	$0.4350
Eggs, Grade A large, Chicago (doz.)	$0.7175	$0.7980	$0.715-0.72
Fruit Cocktail, Choice HS (6/10)	$17.40	$15.25	$15.25
King Crab meat, NYC (lb.)	$8.00	$13.75	$14.00-15.00
Lettuce, Iceberg, Calif. (Carton 24s)	$3.50	$3.75-4.00	$6.00-8.00
Peas, dry green split (cwt)	$16.00	$15.50	$16.75-17.00
Pork loins, 14-down, Midwest (lb.)	$0.965	$0.91	$0.87
Rice, No. 2 milled, Ark. (cwt)	$25.00-27.00	$21.00-22.00	$19.00-22.00

Source: *NRN Research*

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Major chains eye return to takeout-only service

By Joe Edwards

TOLEDO, Ohio—One of the newest restaurants in town is a funny-looking fast-food outlet over on Dorr Street. The sign says McDonald's but the place is so. . . . *tiny.* The reason: there's no place to sit down and eat.

This is a Mini-Mac, a mutant McDonald's restaurant that is easier, quicker and cheaper to build and offers takeout-only service from an indoor walkup counter and a drive-thru window.

Burger King has its own diminutive restaurant prototype, known at Miami headquarters as a BKO. The company opened its first BKO in Georgia about 18 months ago and now operates four of them.

Other chains experimenting with takeout-only units include Church's, Wendy's, Popeyes and Arby's. Interest in this concept is not limited to fast feeders, either. Two ribs and chicken chains, Tony Roma's and Swiss Chalet, have opened takeout-only units in the last year.

Some chains like Kentucky Fried Chicken and White Castle, to name just two, have had takeout-only outlets for years, and takeout service has been a mainstay of many pizza chains and independent Chinese restaurants over the years. 7-Eleven and other convenience stores have had success selling meals for off-premises consumption.

This latest interest in takeout-only service among the industry giants could trickle down to other national, regional and local chains and emerge as a significant industry development in the next few years, although for now most chains are taking a wait-and-see attitude.

If the talk about takeout-only service stirs a sense of *deja vu*, there is good reason. Most early fast-food restaurants did not have seats. As the industry evolved, so did the design of fast-food restaurants. The garish original units gave way to more subdued restaurants

(Continued on page 68)

McDonald's, Burger King and other chains are experimenting with a return to walk-up, drive-thru only units.

New product for lunch

Quick-cooking pie being tested

OMAHA—Two major pizza chains are hoping to bolster lunch sales, the toughest selling time for the segment, with a quick cooking pizza product.

Godfather's, a chain of more than 600 units based here, tested "Express Lunch," a limited menu of 6-in. diameter mini-pizzas, for six months and is now rolling the product out nationally.

Pizza Hut is testing a similiar product in Louisville. The company, which had significant sales growth with pan pizza, hasn't indicated when the product will be introduced throughout the chain.

Sales Builder

In Denver, one of Godfather's test sites, sales during lunch increased 47% with the quick cooking lunch product. Lunch sales are traditionally slow for the pizza segment because pizza usually takes 10 to 20 minutes to prepare, too long for business people with limited lunch periods. At Godfather's, lunch represents 20% of total sales.

"Lunch was always our toughest deal," Richard Jeffries, executive vice president of Godfather's, said. "So what we did was limit the selection and offer mini-pizzas. We now guarantee a mini-pizza in five minutes or your next lunch is on us."

Godfather's has cut the service time by starting to cook the mini-pizzas slightly before the lunch hour rush and holding the pies in a high humidity oven. "We found we could keep them in the oven for an hour and a half without any change in taste or quality, but we decided to only keep them up to 15 minutes," Jeffries said.

Equipment costs for adding mini-pizzas for lunch are between $1,400 and $2,000. The program is elective for franchisees.

While testing the product, the company also researched which varieties of pizza sold best and exactly what product mix was desired. Godfather's found customers preferred lighter toppings during the lunch period. The cost of the pizza varies according to location.

Conti predicts farm bill will trim restaurants' food costs

By Ken Rankin

WASHINGTON—The compromise farm bill approved by Congressional conferees during the closing days of the last session figures to trim restaurant industry food costs by more than $2 billion over the next four years, National Restaurant Association chairman Walter Conti predicted.

Although the final measure failed to slice Federal price support levels as much as food-service industry leaders had urged, Conti praised the bill as "a good compromise" which should help farmers "without hurting food-service operators or consumers."

Federal dairy price support levels—the No. 1 concern among restaurateurs—were cut back from 80% of parity to 70% in the bill's final version. Assuming the nation's food-service operators continue to purchase approximately 10 billion lb. of milk, butter, cheese and other dairy products annually, this reduction in parity figures to save restaurants at least $400 to $600 million each year through 1985, according to Conti.

Industry lobbyists were less successful in blocking what NRA officials originally called "extremely inflationary" sugar price support provisions in the measure. Initially, the bill called for creating a new Government loan program to maintain farm sugar prices at 19.6¢ per pound. According to NRA, these increases would have added $200 million a year to restaurant food costs.

The version that cleared Congress in final form calls for sugar loans of between 16.75¢ and 18¢ per pound—a compromise that figures to raise food service sugar costs by "only" about $100 million annually.

A third provision of the original Farm Bill of concern to restaurants—harsh new restrictions on imported beef—was watered down considerably.

According to Conti, if original restraints on foreign meat had been approved, restaurant industry beef costs "would have risen by 9% and hamburger by 25%."

Neiman-Marcus unveils freestanding restaurant

FORT WORTH—Nieman-Marcus, the exclusive Dallas department store, has opened a freestanding restaurant called the Red River Saloon.

The Saloon is situated in a development complex called Sundance Square, which is being built by the Bass family. The area already sports a civic and convention center.

Nieman-Marcus operates a Fort Worth store at another location with the Red River Saloon, which also sells Red River merchandise and frozen food under the same label, the company hopes to capture tourist and convention business expected at Sundance Square.

So far the 96-seat restaurant, located seven miles from the Fort Worth Nieman's has been filled with office and civic center workers and area shoppers.

The limited menu of chili, nachos, beer, boiled hotdogs along with an adaptation of Nieman's signature dessert, Millionaire pie, comes out of a 364-sq.-ft. kitchen. The all-day-long menu brings in a $5 average check, says vice president of food-service operations, Bob Jones. The restaurant is open from 10 a.m. until 8 p.m.; an hour later on weekends when the Red River band plays until 9 p.m.

Nieman-Marcus's use of the name Red River is not new; it dates back to a line of hats. Since then it primarily has been used in the store's Epicure shop, but is still found in department's such as men's wear.

In the restaurant, the Red River label can be found in the frozen food case, which is filled with items from the restaurant's menu for take-home. The food is currently manufactured and packaged off-premises.

Red River merchandise includes aprons, cookbooks, jewelry, a smoke shop and gift packages, made up of items such as bottled jalapeno peppers and Nieman-Marcus private label foods.

"The purchase of the merchandise is dependent on the traffic generated from the restaurant," says Jones. The restaurant, in this sense, is a service to Nieman-Marcus, as well as to the customer.

The decor is modern western with a lot of pale wood, mirrors, hanging plants and huge frosted windows.

The company plans to franchise the concept when it becomes successful enough.

FINANCIAL NEWS

Calny suffers 70% drop in third quarter profits

SAN MATEO, Calif.—Calny Inc., operator of 55 restaurants, reported net income down 70% to $57,000 for the third quarter ended Nov. 7.

Sales for the quarter were $6.8 million, down 4% from $7.1 million in 1980.

The decline in income was attributed to losses on closed restaurants. The net loss from discontinued operations of Taco Charley were $163,800 for the quarter as compared to $90,100 for the same period last year.

A drop in third quarter earnings for Taco Charley, a former Calny subsidiary, was attributed to expenses relating to the spin-off in October 1981 of Taco Charley to Calny's shareholders.

Luby's profits up 18%

SAN ANTONIO—Luby's Cafeterias reported profits rose 18% to $2.6 million and revenues rose 19% to $30.3 million for the first quarter ended Nov. 30 compared to the year-ago quarter.

New cafeterias were opened during the quarter in Houston and Plano, Tex. A Las Cruces, N. M., cafeteria was relocated into larger quarters at a regional shopping mall.

Units in Austin and Arlington, Tex., were under construction at the end of the quarter and construction was scheduled to begin in San Antonio in January on another cafeteria.

Smuggler's Inn operator Associated Hosts reports net income up for the fourth quarter.

Associated Hosts' net increases 29%

BEVERLY HILLS, Calif.—Associated Hosts Inc., operator of Smuggler's Inn restaurants, reported net income up 29% to $327,000 for the fourth quarter ended Sept. 26, compared to the prior year.

Revenues for the quarter rose 8% to $19.9 million.

For the year ended Sept. 26, net income fell 16% to $2.1 million. Revenues for the year rose 4% to $79.9 million.

Associated Hosts operates 83 restaurants and four hotels in 26 states. Smuggler's Inns, the company's principal restaurant concept, feature steaks, prime beef and seafood and provide entertainment. A typical unit averages 9,000 sq. ft.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Dec. 31							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.75	5.13	5.13	-.38	-6.82	10.63	5.13	-.32	-2.63	1.91	-10.40	.34	.02 N	5.8	14.0	5.8	14.2	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	15.13	14.50	14.50	-.88	-5.69	21.88	10.00	.16	-.43	-.01	22.62	1.67	.43 Q	31.8	35.0	6.3	8.1	.22	1.5	01-26-82	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	28.50	26.88	26.88	-1.75	-6.11	37.25	23.75	.31	-.92	3.27	10.40	4.00	-1.20 F	-23.0	4.0	1.5	6.7	2.00	7.4	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	6.13	5.88	6.13	.25	4.26	8.63	4.88	.97	.42	1.78	-4.10	.66	-.14 F	-17.5	-1.0	2.6	9.3	.12	2.0	12-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.00	3.00	3.00	-.13	-4.00	4.88	1.63	-.38	.00	-3.40	-54.75	.47	.14 S	31.8	41.0	2.3	5.2	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	21.75	21.50	21.75	.00	.00	22.75	15.34	.28	-.04	-1.56	23.56	1.40	.09 S	6.4	26.0	8.0	14.6	.40	1.8	11-06-81	147.0	11.8	1.9	0	6	0481
Bonanza Intl Inc	BNZA	1.50	1.13	1.25	-.25	-16.67	6.88	1.13	-1.52	-4.08	6.64	13.34	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	16.00	14.50	14.75	-1.25	-7.81	16.88	6.00	.24	-.76	5.44	-59.75	.44	.08 N	20.0	28.0	4.0	30.7	.10	.7	12-11-81	110.9	4.4	1.0	8.5	3	1280
Calny Food	CLNY	11.00	11.00	11.00	.00	.00	15.50	8.50	-.10	.00	-10.09	-9.09	1.35	-.29 N	-16.9	7.0	2.2	7.7	.20	1.8	10-28-81	41.7	.9	4	14.4	6	0281
Carrols Develop	CRL	6.13	5.13	5.50	.13	2.33	10.00	3.97	.20	-.23	5.29	40.88	.86	.44 Q	74.5	34.0	2.4	5.3	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.75	19.13	19.13	-1.50	-7.27	22.88	11.50	-.04	-1.33	6.82	-49.09	1.75	.28 N	16.5	12.0	4.9	9.7	.60	3.1	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	21.13	20.50	20.50	.00	.00	27.25	11.94	.42	-.37	-4.85	-21.68	.46	.37 S	137.0	35.0	12.9	32.0	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	11.25	10.25	10.50	-.50	-4.55	13.88	6.13	-.76	-.94	-1.58	3.35	.66	-.13 Q	-17.8	30.0	2.7	17.5	.40	3.8	12-14-81	118.7	3.2	3.4	8	5	0781
Churchs Fr Ch	CHU	29.00	27.50	28.88	1.25	4.52	37.38	25.00	.32	.65	-1.72	6.92	3.01	.55 N	18.7	24.0	9.9	8.3	.84	2.9	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.63	3.00	3.50	.50	16.67	4.63	2.00	.41	3.93	6.11	-38.12	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	14.25	13.63	13.88	.00	.00	14.91	7.50	.48	-.09	1.12	10.26	1.56	.59 S	40.6	12.0	2.8	6.8	.24	1.7	12-23-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	6.75	6.25	6.38	.13	2.00	10.13	5.00	-.70	-1.35	-.71	20.57	-.08	.07 Q	NC	NE	-1.5	91.1	.00	.0	00-00-00	6.8	-.1	.8	6	1	0581
Dennys Inc	DEN	29.88	29.13	29.25	-.25	-.85	31.75	18.38	.02	-.34	-3.11	-36.69	2.96	1.12 Q	54.6	5.0	3.2	9.2	.88	3.0	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.25	14.00	14.25	.00	.00	18.25	10.44	.14	.45	1.40	-25.00	1.82	.28 F	18.1	21.0	8.3	7.8	.30	2.1	11-06-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	9.38	8.38	9.25	.75	8.82	9.38	4.94	.46	1.73	3.79	8.68	1.39	.67 Q	65.6	13.0	3.0	5.5	.35	3.8	11-30-81	97.0	2.9	1.2	7.2	13	0581
Ginos	GNO	19.00	16.38	16.88	-2.00	-10.60	20.13	6.75	.02	-1.12	-2.12	11.83	1.67	.47 N	470.0	-5.0	1.4	29.6	.44	2.6	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.50	6.25	6.25	-.25	-3.85	9.00	6.25	-.20	-.79	-1.52	69.23	.27	-.95 F	-77.8	-16.0	.7	23.1	.00	.0	00-00-00	24.0	9	1.0	18.1	12	0380
Hardwicke	HAWK	3.88	2.50	2.63	-1.25	-32.26	10.50	2.25	.65	-3.71	-.13	27.00	.44	-.20 N	-34.4	-10.0	8.6	6.9	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	40.38	37.50	38.00	-1.88	-4.70	52.25	33.25	-.06	-.61	2.52	16.07	4.00	.21 N	5.3	35.0	20.3	9.2	1.80	4.7	12-14-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	28.13	27.25	28.00	.88	3.23	33.25	21.13	-.29	.16	-3.76	17.51	2.92	.69 N	23.6	28.0	7.1	7.8	.74	2.6	12-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	41.00	40.75	40.75	-3.75	-8.43	48.75	32.25	-.16	-.02	-8.74	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	13.88	13.00	13.50	.50	3.85	19.13	8.00	.04	-.14	-6.08	-9.66	.96	.10 N	10.1	42.0	3.1	12.4	.00	.0	01-11-82	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	28.75	28.13	28.50	.00	.00	29.50	12.00	.58	.13	-9.19	-.72	2.74	-1.82 N	-62.1	4.0	3.9	25.7	.60	2.1	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.50	7.50	7.50	.00	.00	9.38	5.25	.30	.00	1.04	2.63	.92	.13 F	16.4	64.0	3.2	8.2	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.44	1.25	1.38	-.13	-8.33	2.00	1.06	.41	.00	1.53	41.98	.62	-.15 S	-21.1	28.0	2.1	2.5	.16	11.6	09-28-81	8700.9	178.4	.9	8	3	1080
Intl Dairy Queen	INDQ	10.75	10.25	10.25	-.75	-6.82	13.25	8.50	-.52	.00	-3.36	5.56	1.34	.30 N	22.7	51.0	6.1	6.3	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.13	2.00	2.00	-.13	-5.88	3.38	1.75	-.58	-1.86	4.45	14.09	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	3.75	3.75	3.75	.00	.00	4.50	2.63	.21	.00	-5.06	3.71	.63	.63 F	NC	1.0	3.0	6.0	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	19.88	17.75	17.75	-2.13	-10.69	27.63	16.00	-.28	-2.52	-2.99	31.33	1.70	.45 Q	32.6	24.0	5.6	9.7	.12	.7	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	3.88	4.13	.13	3.13	4.38	3.25	-.05	.63	4.44	34.27	-.25	-.51 F	-196.1	-23.0	-2.9	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.50	15.25	15.25	-.25	-1.61	16.25	10.75	.40	-.17	-1.61	32.68	.58	.74 S	NC	148.0	5.9	20.6	.00	.0	00-00-00	11.9	.7	.4	8	1	0381
Kinnard Cos	KCNI	1.75	1.56	1.63	.13	8.33	9.00	1.50	-.28	-1.54	1.00	-68.98	-.60	-.56 S	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	4	1	1280
Lubys Cafeterias	LUBY	27.25	27.00	27.25	.25	.93	28.25	17.84	.10	.00	.32	1.37	1.45	.27 Q	21.7	23.0	9.1	18.0	.48	1.8	12-15-81	108.2	9.8	1.1	9	6	0881
Marcus Corp	MRCS	6.38	6.00	6.00	-.38	-5.88	7.28	5.00	.21	-.42	3.21	-52.99	1.15	.13 S	11.8	8.0	5.8	4.9	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	37.88	35.00	35.88	-2.25	-5.90	47.00	29.75	.45	-1.01	-3.32	-24.14	2.60	.59 N	23.9	28.0	4.2	11.8	.30	.8	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	66.63	64.63	65.38	-.88	-1.32	72.88	49.38	-.08	.09	-1.19	-.89	5.49	1.03 N	19.4	19.0	10.1	10.3	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	8.75	8.63	8.63	-.13	-1.43	13.88	8.25	.04	.00	2.59	16.16	.95	.01 S	1.0	6.0	3.9	8.8	.32	3.7	01-04-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.13	2.25	.00	.00	4.75	2.13	.14	.00	.70	23.45	.22	.04 F	22.2	43.0	.5	10.2	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.00	.81	.81	-.19	-18.75	2.38	.81	-1.47	-4.41	2.60	3.54	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.00	9.25	.00	.00	12.25	9.00	.16	.48	3.15	-53.28	1.74	.48 F	38.0	18.0	1.3	5.3	.32	3.5	12-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	10.50	9.50	9.63	-.63	-6.10	11.38	5.00	.05	-1.29	-4.49	-20.87	1.01	.47 Q	77.0	25.0	5.4	8.9	.20	2.1	11-19-81	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	14.63	14.38	14.38	-.25	-1.71	19.00	11.97	-.10	-.52	2.55	47.22	1.30	.21 Q	18.4	15.0	6.1	10.6	.48	3.3	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.00	6.13	7.00	.75	12.00	11.50	4.00	-.19	1.17	6.63	1.78	.59	.08 N	14.5	-2.0	1.4	11.1	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	22.50	21.00	22.50	-.50	-2.17	28.25	18.00	-.37	.44	-1.95	29.35	.04	.34 N	NC	98.0	.9	66.2	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	14.25	13.25	13.63	-.88	-6.03	19.75	10.25	-.44	-.56	-.92	7.97	.60	.41 N	39.4	3.0	.8	9.4	.40	2.9	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	7.00	5.75	6.13	.00	.00	12.50	5.25	-.13	-1.35	.57	19.73	.53	.70 N	184.2	33.0	4.1	5.7	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.50	4.00	4.13	-.38	-8.33	8.25	3.25	-.43	-1.82	4.07	-11.88	.64	.39 N	60.0	29.0	1.6	4.0	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	19.75	18.38	19.00	-.38	-1.94	23.75	8.38	.08	-.73	2.13	34.66	2.36	1.05 Q	68.6	15.0	1.4	7.4	.44	2.3	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rest	SRI	.00	.00	1.38	.00	.00	6.25	.63	-1.18	.00	-8.07	.00	-1.05	2.34 N	NE	-55.0	-2.4	2.3	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
Sea Galley	SEAG	7.88	6.88	7.25	-.63	-7.94	17.88	5.50	-.97	-1.06	1.09	.76	.55	.69 N	NC	53.0	5.7	10.5	.00	0	06-02-81	22.9	1.3	1.6	2.3	2	1260
Servico Inc	SRVI	8.50	8.25	8.50	.25	3.03	13.00	7.00	.32	.91	4.20	.38	1.10	1.34 N	183.5	22.0	2.5	4.1	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	14.75	14.50	14.50	-.13	-.85	15.00	9.75	.30	-.52	.53	-24.36	1.03	.20 F	24.0	21.0	5.5	14.1	.16	1.1	12-28-81	210.6	11.8	1.0	1.2	4	1080
Victoria Stations	VSTA	8.50	8.13	8.38	.25	3.08	11.25	6.25	.07	-.15	2.95	-8.57	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.38	8.13	8.13	-.25	-2.99	8.88	5.00	.23	-.46	-1.60	27.42	-.05	.43 N	NC	-2.0	-.2	18.9	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	14.25	13.63	14.13	.38	2.73	19.38	10.50	-.26	.09	-.63	25.89	1.34	.32 N	27.3	30.0	8.7	9.5	.28	2.0	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.00	6.63	6.88	-.13	-1.79	13.63	6.50	-.27	.18	6.16	26.57	-.49	-.81 N	-77.8	-42.0	-.9	29.9	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Mr. Steak earnings rise 11% for year

DENVER—Mr. Steak Inc., which operates or franchises 268 family steakhouses, reported an 11.5% rise in net profits to $378,000 for the year ended Sept. 27 compared with the previous year.

Systemwide sales rose 5.7% to $29.9 million during the same period, while revenues dropped 1% to $55.7 million.

For the fourth quarter, the company posted a net loss of $6,000 on revenues of $14.1 million. In fiscal 1980, Mr. Steak lost $79,000 on revenues of $14.1 million.

The company attributed the fourth quarter loss to a $249,000 pretax provision made for the loss of advances for three restaurants operated by a franchisee now being terminated.

But total revenues for the fourth quarter increased $222,000, the results of higher returns from the 54 company-operated Mr. Steak restaurants and an increase in operating fees from franchisees.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Calny	36 wks.	11/1	$ 20.567	– 4			$ 0.667	– 5
	12 wks.	11/1	6.820	– 5			0.057	– 70
Carl Karcher Ents.	40 wks.	11/6	153.406	20			4.665	23
	12 wks.	11/6	47.515	15			1.566	7
Chi Chi's Inc.	6 mos.	10/31			14.457	88	1.838	99
	3 mos.	10/31			8.054	104	0.875	108
Chock Full o'Nuts	3 mos.	10/31	29.800	– 3			3.350	95
Clabir Corp.	9 mos.	10/31	71.266	15			5.959	48
	3 mos.	10/31	24.243	11			0.712	2
Dunkin Donuts	1 yr.	10/31	390.006	21			5.743	18
	3 mos.	10/31	108.586	27			1.313	9
Int'l Kings Table	6 mos.	12/12	15.564	13			0.039	**
	3 mos.	12/12	7.754	12			0.029	**
Luby's Cafeterias	3 mos.	11/30			30.300	19	2.600	18
Morrison Inc.	26 wks.	11/28			174.460	13	7.187	10
	13 wks.	11/28			88.906	12	3.673	10
Shoney's Inc.	1 yr.	10/25			269.360	25	14.787	25
	3 mos.	10/25			66.764	26	3.662	28

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
***Loss in corresponding period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Ivan Boesky raises stake in Vagabond

SAN DIEGO—Ivan F. Boesky, well-known on Wall Street as an arbitrater, is upping his hold on Vagabond Hotels, which owns and operates 56 motels primarily in California.

Vagabond Hotels is already two-thirds owned by Boesky through the Beverly Hills Hotel Corp., which he controls with his wife.

Boesky moved to assume four-fifths control of Vagabond by having Vagabond issue 708,000 shares of convertible preferred stock at $4 each.

Each five shares of the preferred would be convertible to one share of common at $20 a share. Vagabond's stock had been trading under $20 recently.

Some analysts suggest that Vagabond would get $35 to $40 per share in a cash sale of the company. The company reported profits of $2.8 million on $43 million in revenues in 1980.

Ogden buys offshore feeder

BOSTON—Ogden Food Service Corp. has entered the offshore contract feeding business by acquiring Offshore Food Service of Houma, La.

In a December transaction, members of the four founding families of Offshore Food Service were given 360,000 common shares of Ogden Corp., the steamship-building and operating parent of Ogden Food Service. December price quotes of Ogden stock on the New York Exchange made the deal worth about $9.5 million.

Offshore Food Service, founded in 1959, had $25 million in revenues in 1980, according to an Ogden spokesman. The firm provides catering and housekeeping services to oil and gas rigs in the Gulf of Mexico and abroad.

Ogden said Offshore president Hugh St. Martin and his management team would remain with no major changes planned for the acquisition.

Read about

PEOPLE

in every issue

NRN

explores

PHILADELPHIA

coming soon

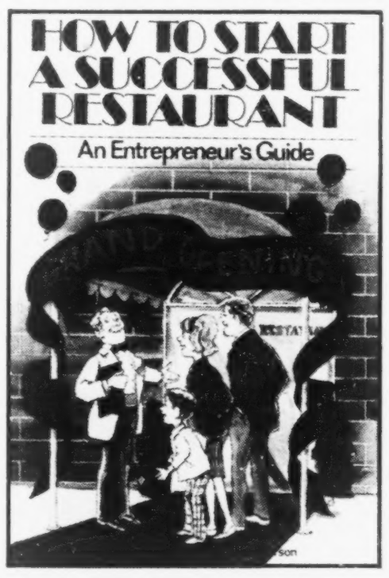
GUIDES TO RESTAURANT SUCCESS

How to Start a Successful Restaurant: An Entrepreneur's Guide
By: James Breen and William Sanderson

NEW!

Finally! A concise, practical approach toward bringing a restaurant dream to reality. Here is the guide that offers insights into financing, marketing, menu development, organization, personnel, and other areas that will help the potential or professional restaurateurs avoid costly mistakes.

This is the step-by-step guide that tells you which steps to take first. How to attract financing and build confidence in investors. And, how to achieve profitability and maintain it.



James J. Breen is president and *William D. Sanderson* is executive vice president of Restaurant Development Associates, a California-based management consulting firm.

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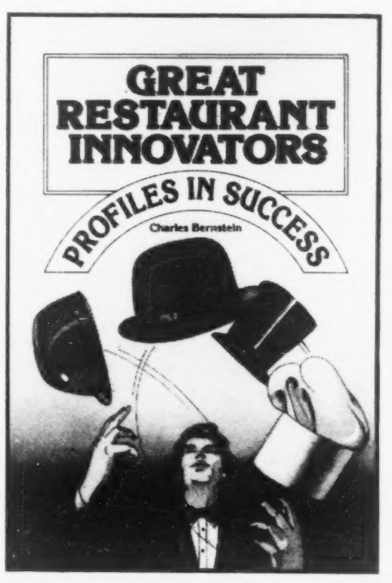
Great Restaurant Innovators: Profiles in Success
By: Charles Bernstein

JUST PUBLISHED!

Here is the inside view of how some of the most interesting and successful individuals in the restaurant business rose to the top! Each chapter relates a fascinating success story as well as a glimpse into the personalities responsible for the growth of Wendy's, Pizza Hut, and Taco Bell. Read about the beginnings of Black Angus and Red Lobster. Follow the careers of great entrepreneurs, irrepressible independents, creative consultants, and fast food pioneers. Dynamic people . . . great reading!



Charles Bernstein is editor of *Nation's Restaurant News.*

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NEW MENU ITEMS

A look at the latest food trends—Pp. 39-50

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Robert Bradford in his Washington office prior to resigning as president and ceo of the National Restaurant Association.

Neville acting chief again . . .

Bradford resigns as NRA president

By Charles Bernstein

SAN ANTONIO—Robert E. Bradford stunned the National Restaurant Association's board of directors here by resigning as president and chief executive officer before the main business of the mid-January winter directors conference even started.

After a series of weekend meetings with NRA officers and directors apparently aimed at trying to reconcile serious differences, Bradford issued a statement and left the city on the first available flight back to Washington. "After careful consideration," the statement said, "I am submitting my resignation as president and chief executive officer of the National Restaurant Association because I have concluded that my goals are incompatible with those of the board of directors."

A few days later the board voted, after a 1½-hour debate mostly in closed executive session, to recommend to the NRA membership (for approval at the Chicago annual meeting) that the staff chief's post revert to executive vice president and chief operating officer as it was before Bradford was named president just a year earlier and then ceo last May. Once again the one-year elected board head would be president and chief executive officer rather than chairman.

At the same time the board voted to name NRA general counsel Robert Neville acting president until the board choose a new executive vice president and chief operating officer. A search committee was appointed to explore candidates.

Some sentiment was expressed by board members for

(Continued on page 103)

Marriott to convert some 200 Gino's to Roy Rogers units

By Roman Czajkowsky

WASHINGTON—Marriott Corp.'s agreement in principle to acquire Gino's is expected to catapult the company's Roy Rogers restaurant group into the No. 5 spot in sales in the hamburger segment.

If Marriott's cash tender offer last month of $18 a share for all of Gino's 2.7 million outstanding shares is successful as expected, Marriott would greatly expand its Roy Rogers division by converting up to 200 of the Gino's units.

Marriott owns and operates 238 Roy Rogers and franchises another 97. Gino's holdings include 313 Gino's hamburger restaurants, 113 Rustler Steak Houses and 43 Kentucky Fried Chicken units.

Marriott previously said it would sell or close the remaining Gino's, as well as sell the Rustlers and KFC. The Rustler restaurants could possibly be sold back to Gino's management. There is also the likelihood that Heublein, KFC's parent, will buy Gino's KFC outlets, sources said.

Marriott's tender offer was to expire Feb. 4.

If the $48.6 million deal goes through, Gino's, based in King of Prussia, Pa., would merge with a subsidiary of the Washington-based hotel, entertainment and food-service company. Marriott's offer was tied to a minimum of two-thirds of the Gino's shares being offered and clearance from the Federal Government.

Gino's directors almost immediately recommended the offer to shareholders, and said they and their families, who own about 38% of Gino's outstanding shares, planned to tender their stock.

(Continued on page 103)

Snowfall brings no windfall to Rockies

Despite a near-record snowfall, operators at Rocky Mountain resorts report only moderate gains in traffic.

New England resorts report rosier picture

By Donald Frazier

ASPEN, Colo.—As skiers delight in this winter's near-record snowfall, restaurants and lodge owners in the Rockies report only moderate gains in traffic over the disastrous 1981 season.

While a few restaurateurs in upscale areas such as this posh resort town enjoy a massive increase in customers, most operators across the West are disappointed by a season in which they expected to recoup the previous year's loss.

"It's a lag effect," said Don Quinn of the Colorado/Wyoming Restaurant Association based in Denver. "Some people felt burned by last year's conditions, so this year they're saying to themselves 'Let's just take a Caribbean cruise instead!"

Operators also attributed

(Continued on page 104)

LATE NEWSBREAKS

Sambo's major creditors are reportedly ready to drop a court effort to remove ceo Daniel Shaughnessy and his management team if Sambo's cooperates in settling debts. (Earlier story, Page 2.)

Eleven Arthur Treacher's franchisees must pay $4 million in back royalties and trademark infringement damages under decisions by Philadelphia Federal district court judge John B. Hannum. The company said about 360 franchisees (90%) have skipped royalties, but a number have begun negotiating settlements.

Horn & Hardart has purchased 8% of Victoria Station's common stock for about $2.4 million.

Western European firms continued wooing American food-service companies. Latest deal is Keystone Food Corp.'s agreement to acquisition by Northern Foods Ltd. of Britain for about $69 million in cash. Pennsylvania-based Keystone is a major McDonald's supplier.

Cold snap cripples the Southeast

ATLANTA—Freezing temperatures and raging blizzards plagued much of the nation last month. But restaurateurs throughout the Southeast suffered a disproportionate share of ill-effects.

(In the industrial Midwest, the snow and frigid temperatures that weathercasters called record lows for the century were the latest blows to customer counts. Auto industry layoffs and those by other heavy industry had already made sections of Ohio, Illinois and Michigan depressed areas as far as restaurant business was concerned.)

In the Southeast the storms not only froze water pipes, cut back electricity and natural gas but—worst of all—kept customers away.

Snow and frozen sleet, accompanied by below-freezing temperatures, turned the region's highways into skating rinks, discouraging would-be diners and prompting all but a hardy few operators to curtail operations or to even close down completely.

In Atlanta, for example, a 6-in. snowfall snarled the city's traffic so much that, according to one observer, almost every freestanding restaurant was closed by 5 p.m.

And in Dallas, operators complained of a two-day "ice storm" which glazed the city's streets and convinced many employers to let workers go home early, depriving restaurants of up to 90% of their normal dinner traffic.

The freeze, which swept in a

(Continued on page 104)

Vergé plans U.S. move—Page 2

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN Q028-0518) Second Class Postage Paid at New York, N.Y., & Additional Mailing Offices

3-star French chef/owner reveals plans, shares ideas

By Susan Spedalle

HYDE PARK N.Y.—In an exclusive interview with *Nation's Restaurant News*, Roger Vergé, the famed three-star restaurateur of the South of France, said he will be opening a number of new restaurants and introducing a line of gourmet products here in the United States.

The chef also commented on the stiff expense account tax levied against big businesses and how it's affecting restaurants in the larger cities of Paris and Lyon.

As for nouvelle cuisine, Vergé says that the style of cooking "was an attempt to find the right position for cooking light foods. It was a facility for the chef to be free. If we have liberated some chefs into experimenting then we have done all we set out to do. If it is more pleasant for the chef, then it is good."

Vergé added that he thinks restaurateurs will get the most out of nouvelle cuisine by adding it to their menus where it fits and where they can sell the idea of lighter, less filling foods. Ultimately, he said, it will be the chef's imagination and creativity, and not a food fad, that will encourage repeat customers.

Vergé's latest venture centers around the Epcot Center at Disney World, a permanent pavilion of 20 countries. Les Chefs de France, as it will be called, will contain a restaurant, bookstore/gourmet shop and patisserie, which the chef has designed with superstar chefs Paul Bocuse and Gaston Lenôtre.

"We have averaged things out," says the chef, "by including a mix of stores and not just a restaurant."

It was actually Bocuse, owner of the famed three star Collinges-au-Mont-d'Or, north of Lyon, that brought Vergé and Lenôtre into the picture.

In Paris Lenôtre's pastry shop is said to be among the city's best. He also runs a two-star restaurant in that city.

The restaurant at Disney World will be aimed at the Disney market and for that reason will feature the earthy, peasant food of France and not haute or nouvelle, cuisine.

"We are using the traditional recipes of France because we think this is what the people at Disney World think of when they think of France," he said.

The French character will be preserved in the decor: a turn of the century brasserie with art noveau decor and bistro tables with marble tops.

Head chefs for the 240-seat restaurant and cafe will spend two months in France learning from the masters and the three French chefs will spend time at Disney World in the first months of Les Chefs de France's operation.

Will too many cooks spoil the beurre blanc?

"No, we work together very easily, we've known each other for a long time," says Vergé, "it is not as if we keep our recipes secret from one another."

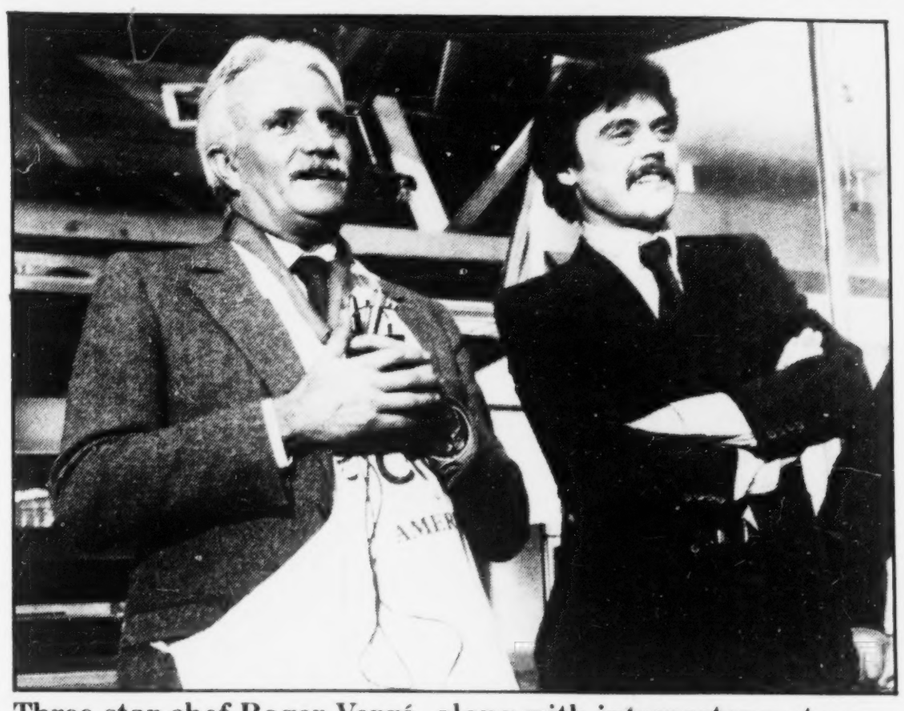
Except for the imported items such as foie gras, all food at the restaurant must go through the computer system used by Disney's automated kitchens.

The menu, although not definite yet, will probably feature items such as sausage in brioche, fillet of Florida red snapper with a white wine sauce and lobster in cream sauce.

Does the chef have any problems with the idea of automated cooking? "No," he said, "there is still plenty that the chef must do . . . that little bit of extra butter . . . the seasoning. I think this system, which until now has only been used for fast food, has great possibilities for preparing fine food. We may well discover that its better to have a good computer in the kitchen than a bad chef."

Available in January and March of 1982 will be a line of 400 Roger Vergé gourmet products. The line is based on an already established group of 40 products sold in Japan.

(Continued on page 104)



Three-star chef Roger Vergé, along with interpreter-restaurateur Claude Germont, addresses a crowd of students.

New state laws to curb bad checks

WASHINGTON—Thousands of United States restaurant operators were stuck with worthless checks last year to the tune of millions of dollars.

Worse yet, as the economy continues downhill during 1982, bad check losses figure to be an even bigger drain on industry profits this year.

But food-service operators in some parts of the country are better equipped to deal with this problem now thanks to a flurry of new state laws enacted last session. All told, a dozen state legislatures across the country voted to tighten up their existing "bad check" laws during 1981 by approving more effective personal identification requirements, stiffer penalties for violators and streamlined rules of evidence to encourage prosecution of such offenses.

In addition, several states passed legislation enabling businesses to recover the administrative costs associated with handling worthless checks. As a result, restaurateurs in Virginia, West Virginia and North Carolina may now assess a service charge of $10 for each check returned for nonpayment.

Indiana's new bad check statute allows businesses victimized by worthless check passers to charge 18% interest on the unpaid amount. That statute also permits Hoosier food-service operators to recover up to $100 in attorneys' fees if civil court action is required to collect on bad checks.

Restaurateurs in neighboring Illinois, meanwhile, are now able to recover all reasonable costs involved in filing suit, under one of a series of new statewide bad check laws

In Arkansas, a new statute provides for full restitution to victims of worthless checks, while the state's separate new "hot check law" provides for greater flexibility in recovering losses from third-party checks.

Tougher new criminal penalties for check fraud were adopted in North Dakota and Virginia last year, while Mississippi and Maine approved legislation to curb fraudulent identification practices by requiring photographs on all new drivers licenses.

IFMA forecast

Growth seen in small markets

By Charles Forman

PORT CHESTER, N.Y.—Restaurant chain growth in coming years will be concentrated in a handful of generally small market niches.

This message was presented to audiences of food processors, distributors and some operators at seminars here and in Chicago and San Francisco in mid-January.

Segments pinpointed for greatest growth were casual dining operations, carry-out concepts, convenience stores, ribs places, healthful food restaurants and deli's.

The seminars at which these predictions were made are sponsored annually by the International Foodservice Manufacturers Association (IFMA).

Speaker Jay Heilbrun cited a number of operators as illustrations of firms seeking to expand in niche segments.

In the deli area he pointed to Sandwich Chef, Zabar's, Bagel Nosh, and Healthy Deli's. In the casual dining area he picked Houlihan's, TGI Friday's, Ruby Tuesday's, Houston's and Bennigan's for special mention. Among rib restaurants he mentioned Carsons, Bones, Rib-I, Bobby Rubino's and Tony Roma's.

The example he gave in the convenience store category was 7-11. In the carry out area he pointed to Spaghetti Pot, Period International, and Gourmet Kitchen.

Only one healthful food group concept, General Mill's Good Earth was mentioned.

Closely related to the comments on segment growth were those on menu and food item trends. New life styles emphasizing a wider variety of experience, good health, economic constraints, and little time for meals were credited with being the genesis of today's restaurant food trends.

Along with new popularity for individual foods and food ideas, John C. Hofer, who handled this part of the program suggested that menu expansion was being replaced by menu substitution. The number of items on many menus was actually contracting, he said.

Hot food items specified were tea, variety breads, fresh vegetables and pasta. Noted as "out" were rosé wine, diet pills, well done beef and large portions.

Popularity of appetizers like fried zucchini as a high price-value, high margin fashion was stressed.

Although hamburgers will remain the dominant restaurant lunch and dinner entree, market share growth will go to those offering a new variety of sandwiches, Hofer said.

He stressed the growth of mixed protein (low, or no meat content) entrees such as pizza and Mexican food. And he also emphasized that perhaps the most important aspect of the impact of Mexican food on food service was the appearance of Mexican food items on the menus of a wide variety of concepts.

Sambo's creditors request Shaughnessy ouster

By Jim Storey

LOS ANGELES—Sambo's major creditors, disillusioned with current management's ability to revive the ailing chain, have asked a United States bankruptcy court to expel the management team and appoint a trustee to run Sambo's. But Sambo's ceo Daniel Shaughnessy has painted a brighter future picture and feels the current management team should be retained.

This request came last month in a motion filed here before Federal Judge Calvin K. Ashland. In court papers, Sambo's creditors, including its 17 major lenders, accused the company of mismanagement and heavy-handed treatment of lenders.

Sambo's management denied the allegations. Shaughnessy recently met here with creditors to defend the steps management has taken. He also outlined recent developments, which he believes will help pull the chain out of its financial quagmire.

A hearing on the motion was scheduled at presstime.

Sambo's filed for protection under Chapter XI of Federal bankruptcy law in November when lenders refused to restructure a $100 million loan agreement. The agreement had

(Continued on page 104)

HIGHLIGHTS IN THIS ISSUE

New Products are playing an increasingly vital role as chains and independent restaurants alike continue to vie for market share. In this issue's Focus Section, *NRN* takes a segment-by-segment look at new product tests and rollouts and their effect on customer traffic. *Pages 39-50.*

Themed restaurants, once the new kid on the block, are now on the edge of extinction. In an editorial, *NRN* editor Charles Bernstein points out the folly of unnecessary frills and calls for a return to the basics of good food and service. *Page 6.*

1982 promises a wealth of conferences, seminars and events encompassing all aspects of the food-service industry. A full calendar of 1982 events appears on *Page 12.*

Menu prices will climb 8% in 1982, the smallest hike in half a decade, according to the latest projections by the Department of Agriculture. *Page 23.*

Franchise disclosure rules may undergo some key changes in the near future as state securities administrators gear up for a series of new proposals. *Page 26.*

The wash and wear uniform dispute, a subject of continuing controversy between restaurant operators and their employees, was reclarified recently by William M. Otter, a Labor Department Wage and Hour administrator. *Page 32.*

Wine & Spirits columnist Mort Hochstein tours the Dunphey Hotel chain and discovers the surprising success of the "soft sell" approach to marketing. *Page 34.*

Marketing expert Barry Klein, in the second of a series of marketing memos, takes a friendly poke at some less-than-realistic promotion ideas. *Page 68.*

REGULAR FEATURES

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Vol. 16, No. 3 February 1, 1982

COMMODITIES

Insects infest lettuce; Freeze hits Fla. growers

NRN Special Report

Lettuce prices have been at the highest level since the 1979 strike, although they should be dropping now. Imperial Valley lettuce, which accounts for more than half of winter lettuce use throughout the United States, has been hit hard by the white fly, a pest responsible for leaves of the lettuce head turning yellow just before ripening.

The white fly has been observed in California since 1974, but is generally kept under control by cold temperatures which kill off the insect. Mild winters for the past several years have permitted the fly to proliferate, and this year it hit both cotton and melon crops in the dessert areas of California. Colder temperatures in January have killed some of the flies and cut down the activity of the live ones.

Agricultural experts suspect that, in addition to sucking out moisture from the lettuce plants, the white fly transmits a virus which, while harmless to man, turns the lettuce leaves yellow. Some packers have been picking iceberg heads before maturity to escape the yellowing, but such heads are light and small.

Insecticides do not control the pest, and unless there is an extremely cold period this month, the flies may well be a major danger to iceberg lettuce next winter. Arizona crops are not sufficient to take up the slack when Imperial Valley production drops.

Meanwhile, in the Salinas Valley area, which is the major summer lettuce producer, heavy northern California rains have interfered with plantings for spring harvest. Some vegetable crops now in the ground have been destroyed, but most of the broccoli will be able to be harvested, local sources said.

Price & Supply Roundup

Spain had a record almond crop, and although they won't be sold in the United States, heavy exports to France and Italy will cut back California producers' sales overseas. This means a larger supply—and lower prices—for sale here at home. . . . Dry beans have continued to soften, especially pintos, since Mexico had a good crop.

Florida growers, who had planted larger acreages than last year, up to 50% more in some cases, were hit hard by the January freeze at presstime, and some smaller growers may be forced out of business, according to Florida state officials.

PRICE MOVEMENT AT A GLANCE

	Jan. 8 1981	Dec. 8 1981	Jan. 8 1982
Beans, baby lima, frozen, Calif. (lb.)	$ 0.50	$ 0.57	$ 0.60
Beans, Pinto, dry, Colorado (cwt.)	$33.00	$19.00	$17.50
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 1.02-1.03	$ 0.92	$ 0.95
Broilers, Grade A, icepack, NYC (lb.)	$ 0.5313	$ 0.4516	$ 0.4812
Cod, frozen blocks (lb.)	$ 1.08	$ 1.08	$ 1.08-1.12
Coffee, green beans, NYC (lb.)	$ 1.25	$ 1.47	$ 1.45
Lettuce, iceberg, Calif.-Ariz., (case of 24s)	$ 3.00-3.50	$ 9.00-12.00	$12.00-15.00
Peas & Onions, frozen, Calif. (lb.)	$ 0.46	$ 0.555	$ 0.575
Pork loins, 14-down, Midwest (lb.)	$ 1.02	$ 0.84	$ 1.02
Strawberries, frozen, Calif. 30 lb. whole (lb.)	$ 0.55-0.56	$ 0.64	$ 0.66

Source: *NRN* Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Franchisees play new role in setting company policies

By Donald Frazier

Give new franchisees a discounted royalty fee? *On a sliding scale?* Unthinkable.

That's what Jeff Rogers thought when the then-unlikely notion came up in the middle of last year. As marketing vice president at Bonanza, the now entirely franchised Dallas-based chain of budget steakhouses, he was acutely aware of the importance of a consistent rate of revenues from its 600 restaurants.

But he also knew that 20%-plus interest rates were cutting deeply into the ranks of prospective franchisees. These entrepreneurs—especially the experienced and astute managers Rogers wanted for Bonanza—leaned toward ventures other than budget steakhouses.

New Direction

A royalty percentage indexed to interest rates would, he decided after reflection, achieve an important short-run goal: the construction of new units. More importantly, he reasoned, it would ease new units over the first few difficult years so they eventually could become viable contributors to the system in the long run.

The new depth of his company's concern with the individual franchisee is not unique. It is representative of a new set of attitudes to overtake franchising during the last year.

(Continued on page 87)

Restaurateurs blame crime for slow Miami business

By Rick Telberg

MIAMI—Restaurateurs in South Florida are facing fundamental shifts in their businesses as Miami matures from a sleepy vacation paradise into an urbanized center of international finance.

The changes in the business climate were brewing for a long time, but they were punctuated in the past two years by crises which slammed into Miami like successive tidal waves.

Miami has gained a reputation for rampant crime and racial tensions. Miamians insist, however, that its problems are no worse than other American cities, only more visible since Miami had long been known as a bejeweled resort.

The public impression, nevertheless, has translated directly into a stagnant tourism industry. Hotel occupancy was off 9% in 1981, and it was worse in moderately priced and mid-sized hotels. Eating place sales, by various accounts, were down about 5%.

"People are scared," said Lisa Scott, controller of the Casablanca restaurant in the downtown Omni Mall. "They don't want to be out late at night."

She said the restaurant followed the lead of the mall's retailers and trimmed its closing hours back from 11 p.m. to 8:30 p.m.

"It's scary when you have to walk to the bank to make a deposit at 3 a.m.," said Ken Byers, regional manager for Raffles restaurant at Dadeland Mall. "A month ago our manager lost his car out of the parking lot. There were a couple of killings in the lot. Two banks across the street were robbed."

Jack Silver, president of Miami-based Black Angus Systems, says that fear of crime has hurt Miami restaurants.

"Fear of crime has hurt us," said Jack Silver, president of Black Angus Systems which operates 13 steakhouses and seafood houses. "We had to light up our parking lots more."

"People want to get home before dark," Silver said. At the same time, "our early-bird dinner specials are doing a lot better because of it."

Other restaurateurs said they had hired security guards for their parking lots. "It reassures the customers," said one operator, "but I'm not sure it really makes a difference."

Other restaurateurs, however, say business is booming. This group says that if dinner traffic is down, it is more than compensated by a big lunch traffic.

Jerome Robinson, executive director of the Florida Restaurant Association, said he detected no drop-off in restaurant sales. "People are still going out to eat," he said. "They may not be going to the top of the menu, but they are still going out."

While Miami and some of its environs may rank at the top of the F.B.I.'s list of America's most crime-ridden cities, analysts are quick to point out that from 30% to 40% of the violent crime is related to the new Mariel refugee community and to drug traffic.

Economically, south Florida is booming and the challenge for restaurateurs is to tap the changing market.

Statewide, Florida eating place sales will rise by 13.5% this year, according to the National Restaurant Association.

Tourism may be down, but leisure travelers are being replaced by business travelers. In 1979, 34%, much less than half, of Miami's 11.8 million visitors went to the city for business reasons. In 1980, the pendulum had swung the other way—52% of 13.5 million visitors went to Miami to do business. International travelers accounted for 82% of the 1980 visitors. Last year, they accounted for 87%.

Real estate rivals drug smuggling as south Florida's biggest industry although middle-class housing construction is dead.

The effect is forcing many companies out to the suburbs or near the newly expanded airport, which was 15% busier in 1981 than in 1980. Burger King executives said they were considering quitting Miami because of its crime problem, but city hall insiders suggest that statement was a ploy to obtain a good tax deal in the suburbs.

Miami is also witnessing a huge hotel construction boom. About 3,000 hotel rooms are under construction by chains including Marriott, Sheraton, Hyatt and Holiday Inns, in that chain's most ambitious project to date.

South Florida's growth, estimated at 44% during the 1970's to a population of 3.3 million, shows few meaningful signs of abating. But the nature of the business climate is shifting.

Among the most fundamental changes are the cultural and demographic shifts. More than 9 out of 10 people leaving Miami are white. They are leaving to make room in the central city for the twin poles of the highly affluent and the dismally poor.

"We were always a sleepy little town," said Leonard Turkel, president of the Orange Bowl Corp., a 144-unit snack bar cabin. "Now we have to deal with the reality of the way life is in a big city."

Cold wave worries Florida citrus growers

TALLAHASSEE, Fla.—One year after a freeze cut Florida citrus production, the cold hit again, the night of Jan. 11-12, dropping temperatures across the state into the low 20's. More than 85% of the orange groves could be affected, according to spot checks made as *NRN* went to press. Some major orange juice concentrate packers, including Coca-Cola Co., suspended sales until the extent of the damage could be assessed.

The low point was reached here in Tallahassee, where a record of 12° was recorded. The Florida Livestock and Crop Service said the entire citrus raising area was blanketed by the freezing temperatures, and a major portion of the crop might have to be harvested quickly before rot set in. Growers were wary of a period of high temperatures, which could cause damaged fruit to thaw and rot before it can be harvested.

In January of last year, a two-day freeze reduced production between 20% to 30%, and resulted in a smaller crop of oranges this season. Big fear of growers is that the freeze damaged the trees themselves, which would restrict the size of crops for several seasons. Initial hopes are that the length of the freeze this year was not enough to produce tree damage.

Several private label concentrate packers boosted prices by 23¢ a pound, bringing the New York City packer price to $1.50, from $1.27 on the day before the freeze. Further price increases are expected. The only lid on increases is the large Brazilian crop produced during this season just past. However, if the Brazilian exporters follow last year's practice, they will withhold cargos until the damage in Florida is assessed, then raise their prices in line with the United States.

About 24% of the season's Florida orange juice production—which was expected to top 1 billion gal. of concentrate this year—is normally destined for the food-service industry. According to George Dejager, a marketing official with the Florida Citrus Commission, the impact of the cold snap on orange juice prices in restaurants should be moderate due to the ready availability of Brazilian supplies and the apparent reluctance of most restaurateurs to print new menus just to raise the price of one item. At presstime, Dejager was unable to estimate the full extent of damage to the Florida crop, but, he said, "practically all of the state's citrus-growing regions have been hit by the freeze, some severely."

Vegetables were hit hard by the freeze. Some tomato growers lost practically all of their crops, which will mean Mexican growers will have increased volume into the United States. Prices will rise sharply. Pole beans were hit hard and almost doubled in price overnight.

Dade County, which grows a large part of Florida's tomato, squash, green pepper, cucumber and green bean crops, was estimating 75% damage overall. East Coast and Midwestern operators, many of whom depend upon Florida vegetables for salads, will find prices have skyrocketed. In conjunction with California's lack of lettuce during this winter season, salad bars will become an expensive service.

FINANCIAL NEWS

U.S.D.A. forecasts stable meat prices . . .

WASHINGTON—Burger chains and other restaurant operators can look forward to stable meat prices at least through the first half of this year, according to the latest Agriculture Department long-range livestock forecast.

Due in large part to the "sluggish economy," total United States consumption of red meats will decline by 1% to 3% during 1982, and this should be enough to keep a lid on prices, according to U.S.D.A. economists.

The Federal income tax cut scheduled to take effect next summer figures to boost consumer purchasing power and demand for beef, but by that point the department expects increasing meat supplies to take the pressure off prices.

Poultry price hikes are expected to be similarly moderate during 1982, but for different reasons. Significant increases in broiler and turkey production over the past few years have depressed prices, and poultrymen are likely to cut back on supplies somewhat.

For 1982 as a whole, U.S.D.A. predicts that "Choice steer and hog prices may average only a couple of dollars per cwt above 1981, with broiler and turkey prices showing similar increases."

In contrast, the expected "slight" decrease in egg production this year is projected to result in "substantial" price hikes to restaurants and consumers.

. . . but cost of eating at home climbing

WASHINGTON—The rising cost of food and energy is making it increasingly expensive to prepare meals at home, according to the latest U.S. Department of Agriculture figures.

Currently, a family of four with two elementary school age children can expect to spend over $90 per week to prepare "moderate cost" meals at home. That same family will spend an average of nearly $108 weekly under U.S.D.A.'s "liberal" menu plan.

In contrast, a family consisting of two senior citizens will pay an average of $46.90 each week for meals at home under the department's "moderate cost" plan and $55.80 if the "liberal" menu plan is selected.

On a per capita basis, it now costs over $27 per week to provide moderate cost meals at home for each teenage boy (15-19).

For small families and individuals who live alone, per capita at home meal preparation costs tend to be considerably higher "because larger families tend to buy and use food more economically," U.S.D.A. notes.

Depending on the meal plan selected, it can now cost an individual living alone more than $39 per week to prepare all of his meals at home, according to the department.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Jan. 15							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.00	4.75	4.75	-.38	-7.32	10.63	4.75	-.17	-.90	1.42	-6.88	.34	.02 N	5.8	14.0	5.8	13.2	.00	.0	01-06-81	19.1	1.1	8	1.1	2	1080
Am Motor Inns	INN	15.50	12.00	12.50	-2.00	-13.79	21.88	10.00	-.35	.42	2.35	-29.46	1.67	.43 Q	31.8	35.0	6.3	7.0	.22	1.8	01-26-82	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	27.25	24.50	25.50	-1.38	-5.12	37.25	23.75	-.18	-.85	1.14	23.15	4.00	-1.20 F	-23.0	4.0	1.5	6.4	2.00	7.8	11-24-81	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	6.25	5.38	5.50	-.63	-10.20	8.63	4.88	.68	.79	-4.88	-44.16	.66	-.14 F	-17.5	-1.0	2.6	8.3	.12	2.2	12-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.13	3.00	3.00	.00	.00	4.88	1.63	.11	-.47	.11	20.05	.47	.14 S	31.8	41.0	2.3	5.2	.00	.0	00-00-00	47.7	1.1	8	1.8	2	1080
Bob Evans Farms	BOBE	22.25	21.50	21.50	-.25	-1.15	22.75	15.84	.31	-.7	-2.69	-13.37	1.40	.09 S	6.4	26.0	8.0	14.4	.40	1.9	11-06-81	147.0	11.8	1.9	0	6	0481
Bonanza Intl Inc	BNZA	1.19	1.13	1.19	-.06	-5.00	6.88	1.13	-1.12	1.02	-.11	-53.65	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	14.75	12.50	12.88	-1.88	-12.71	16.88	6.19	-.52	-1.43	-1.08	21.98	.44	.08 N	20.0	28.0	4.0	26.8	.10	.8	12-11-81	110.9	4.4	1.0	8.5	3	1280
Calny Food	CLNY	11.00	11.00	11.00	.00	.00	15.50	8.50	.28	.18	-.40	2.31	1.35	-.29 N	-16.9	7.0	2.2	7.7	.20	1.8	10-28-81	41.7	.9	4	14.4	6	0281
Carrols Develop	CRL	5.75	5.00	5.25	-.25	-4.55	8.88	3.97	.40	-1.85	.59	33.06	.86	.68 S	151.1	34.0	2.4	4.6	.09	1.7	12-24-81	75.6	1.8	7	10.1	5	0581
Chart House	CHHO	19.13	17.63	17.63	-1.50	-7.84	22.88	12.50	-.30	.03	1.53	70.17	1.75	.28 N	16.5	12.0	4.9	8.9	.60	3.4	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	20.25	17.63	18.13	-2.38	-11.59	27.25	11.94	-.28	-.73	-2.75	18.28	.46	.37 S	137.0	35.0	12.9	28.3	.00	.0	06-02-81	7.5	5	2.1	1.3	1	0480
Ch Full O Nut	CHF	10.75	9.63	10.38	-.13	-1.19	13.88	6.50	-.64	1.05	-4.70	-19.19	.66	-.13 Q	-17.8	30.0	2.7	17.3	.40	3.9	12-14-81	118.7	3.2	3.4	8	5	0781
Churchs Fr Ch	CHU	28.88	25.50	27.25	-1.63	-5.63	37.38	25.00	.40	1.45	-5.02	-4.86	3.01	.55 N	18.7	24.0	9.9	7.8	.84	3.1	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.50	3.13	3.13	-.38	-10.71	4.63	2.50	.59	.28	-.51	12.69	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	0	6.2	0	1280
Collins Foods	CF	14.38	13.00	13.00	-.88	-6.31	14.91	7.69	.44	-1.06	1.58	-7.47	1.56	.59 S	40.6	12.0	2.8	6.4	.24	1.8	12-23-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	6.25	5.63	5.63	-.75	-11.76	10.13	5.13	-.47	-.71	-2.08	13.37	-.08	.07 Q	NC	NE	-1.5	80.4	.00	.0	00-00-00	6.8	-.1	.8	6	1	0581
Dennys Inc	DEN	29.63	27.50	28.38	-.88	-2.99	31.75	21.00	.07	-.38	4.28	27.04	2.96	1.12 Q	54.6	5.0	3.2	9.0	.88	3.1	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.38	13.13	13.25	-1.00	-7.02	18.25	11.25	.14	.00	-.40	-.43	1.82	.28 F	18.1	21.0	8.3	7.3	.30	2.3	11-06-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	9.38	8.13	8.25	-1.00	-10.81	9.38	5.41	.43	-.84	-2.86	-5.56	1.39	.70 S	63.0	14.0	3.0	4.6	.35	4.2	11-30-81	17.0	2.9	1.2	7.2	13	0581
Ginos	GNO	17.88	16.50	17.75	.88	5.19	20.13	6.75	.26	.28	.08	-48.46	1.67	.47 N	470.0	-5.0	1.4	31.1	.44	2.5	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.00	5.00	5.50	-.75	-12.00	9.00	5.00	-.56	2.51	10.97	-6.06	.27	-.95 F	-77.8	-16.0	.7	20.4	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	4.38	3.00	4.25	1.63	61.90	10.50	2.25	.87	6.17	-2.47	-6.32	.44	-.20 N	-34.4	-10.0	8.6	11.2	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	38.75	35.63	35.88	-2.13	-5.59	52.25	33.25	-.21	.01	1.27	29.56	4.00	.21 N	5.3	35.0	20.3	8.7	1.80	5.0	12-14-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	29.00	25.38	25.50	-2.50	-8.93	33.25	21.13	.19	-.39	-.37	-6.85	2.92	.69 N	23.6	28.0	7.1	7.1	.74	2.9	12-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	42.00	42.00	42.00	1.25	3.07	48.75	32.25	-.02	.18	3.34	.00	NA	NA		NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	14.00	12.16	12.88	.59	4.83	16.38	7.28	.37	-.38	1.86	15.62	.87	.09 N	10.0	42.0	3.1	13.0	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Host Intl	HII	29.00	28.13	28.88	.38	1.32	29.50	12.00	.29	.27	-6.98	-15.59	2.74	-1.82 N	-62.1	4.0	3.9	26.0	.60	2.1	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.50	7.25	7.50	.00	.00	9.38	5.25	.40	.15	-8.00	10.71	.92	.12 Q	14.4	43.0	3.2	7.9	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.38	1.25	1.31	-.06	-4.55	2.00	1.06	.17	-1.08	1.32	-52.27	.62	-.15 S	-21.1	28.0	2.1	2.3	.16	12.2	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	10.25	9.25	9.50	-.75	-7.32	13.25	8.50	-.47	-.61	5.69	41.74	1.34	.30 N	22.7	51.0	6.1	5.9	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.13	2.00	2.13	.13	6.25	3.38	1.88	-.24	1.24	1.19	-57.69	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	4.50	3.75	4.50	.75	20.00	4.50	2.63	.96	.52	10.06	-44.48	.63	.63 F	NC	1.0	3.0	7.1	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	17.50	16.25	17.50	-.25	-1.41	27.63	16.25	-.70	2.11	3.43	3.83	1.70	.45 Q	32.6	24.0	5.6	9.6	.12	.7	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	3.75	4.13	.00	.00	4.38	3.38	.23	.93	.09	-26.09	-.25	-.51 F	-196.1	-23.0	-2.9	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.25	15.25	15.25	.00	.00	16.25	10.75	.13	.19	1.18	-3.17	.58	.74 S	NC	148.0	5.9	20.6	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.63	1.63	1.63	.00	.00	9.00	1.50	.11	.18	-7.55	.00	-.60	-.56 S	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	27.00	26.25	27.00	-.25	-.92	28.25	18.50	.29	.48	1.76	7.63	1.45	.27 Q	21.7	23.0	9.1	17.9	.48	1.8	12-15-81	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	6.00	5.25	5.25	-.75	-12.50	7.28	5.00	-.39	-1.55	-3.73	25.82	1.15	.13 S	11.8	8.0	5.8	4.3	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	36.75	33.50	34.38	-1.50	-4.18	47.00	29.75	-.06	-.03	-.09	24.29	2.60	.59 N	23.9	28.0	4.2	11.3	.30	.9	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	65.38	58.00	59.88	-5.50	-8.41	72.88	51.75	-.02	-.04	-.02	13.17	5.49	1.03 N	19.4	19.0	10.1	9.5	1.00	1.7	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	8.63	8.13	8.63	.00	.00	13.88	8.13	.17	1.19	-.82	4.26	.95	.01 S	1.0	6.0	3.9	8.8	.32	3.7	01-04-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.13	2.25	.00	.00	4.75	2.13	.25	.26	-.17	-18.52	.22	.04 F	22.2	43.0	.5	10.2	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	.69	.63	.69	-.13	-15.38	1.75	.63	-1.91	.00	-1.17	67.00	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	12.25	9.00	.30	.19	-3.48	-66.67	1.74	.48 F	38.0	18.0	1.3	5.3	.32	3.5	12-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	9.88	8.75	9.00	-.63	-6.49	11.38	5.63	-.16	-1.45	-3.39	-15.07	1.01	.47 Q	77.0	25.0	5.4	8.3	.20	2.2	11-19-81	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	14.63	14.38	14.63	.25	1.74	19.00	12.41	.15	.20	.10	22.68	1.30	.21 Q	18.4	15.0	6.1	10.8	.48	3.3	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	6.75	6.13	6.38	-.63	-8.93	11.50	5.13	.21	-.09	1.12	-37.56	.59	.08 N	14.5	-2.0	1.4	10.1	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	22.00	18.25	19.00	-3.50	-15.56	28.25	18.00	-.57	-1.24	1.18	-6.49	.04	.34 N	NC	98.0	.9	55.9	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	14.38	12.00	12.25	-1.38	-10.09	19.75	10.50	-.35	-.81	-4.34	-7.11	.60	.41 N	39.4	3.0	.8	8.4	.40	3.3	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.25	5.88	6.00	-.13	-2.04	12.50	5.25	-.12	.19	-.16	-1.13	.53	.70 N	184.2	33.0	4.1	5.6	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.63	4.13	4.38	.25	6.06	8.25	3.88	-.11	.83	-1.02	3.85	.64	.39 N	60.0	29.0	1.6	4.2	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	19.00	16.75	17.63	-1.38	-7.24	23.75	9.25	-.41	.68	4.20	-20.83	2.36	1.05 Q	68.6	15.0	1.4	6.8	.44	2.5	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rest	SRI	.00	.00	1.38	.00	.00	6.25	.63	.54	.63	-15.13	.00	-1.05	2.34 N	NE	-55.0	-2.4	2.3	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
Sea Galley	SEAG	7.63	7.13	7.63	.38	5.17	17.88	6.84	-.51	1.74	.04	-52.00	.55	.69 N	NC	53.0	5.7	11.1	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	9.50	8.25	8.25	-.25	-2.94	13.00	7.00	.44	-1.33	4.54	-29.78	1.10	1.34 N	183.5	22.0	2.5	4.0	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	14.63	14.38	14.63	.13	.86	15.00	10.88	.21	.20	-1.61	36.77	1.03	.20 F	24.0	21.0	5.5	14.2	.16	1.1	12-28-81	210.6	11.8	1.0	1.2	4	1080
Sonesta Hotel	SNSTZ	10.75	10.75	10.75	.00	.00	15.00	9.31	.37	.19	.58	22.50	2.24	.09 N	6.2	80.0	3.6	7.1	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2.69	2.63	2.63	-.06	-2.33	3.25	2.31	.30	.22	-1.32	-31.67	.06	.09 F	NE	-30.0	.5	43.8	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Treadway	TCO	.00	.00	12.25	.00	.00	12.38	6.38	.28	.21	-19.35	.00	.70	-.30 N	-29.7	8.0	4.4	17.3	.28	2.3	06-29-81	22.7	1.0	.6	5.6	7	0880
Valles Steak	VLE	6.00	5.75	5.88	.13	2.17	7.63	4.38	.15	.99	-1.45	50.00	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	9.63	8.38	9.63	1.25	14.93	11.25	6.25	.54	1.44	4.13	6.79	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.13	7.00	7.13	-1.00	-12.31	8.88	5.25	-.24	.33	-1.71	-31.18	-.05	.43 N	NC	-2.0	-.2	16.6	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	14.38	13.75	13.88	-.25	-1.77	19.38	10.84	.24	.21	-3.69	-17.45	1.34	.32 N	27.3	30.0	8.7	9.3	.28	2.0	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.13	6.75	6.88	.00	.00	13.63	6.50	-.04	.42	.40	-3.08	-.49	-.81 N	-77.8	-42.0	-.9	29.9	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Successful marketing strategy

Profits increase 12% at Int'l King's Table

EUGENE, Ore.—Fifteen months of price-cutting and service changes appear to be heading Kings Table, a 50-unit buffet cafeteria chain to its first profitable year since fiscal 1979.

For the two quarters ended Dec. 12, 1981, International Kings Table Inc. showed $40,000 in pretax profits compared to a $400,000 pretax loss in the same period in 1980.

Three-fourths of the current, 1982, fiscal year's pretax profits came in the second quarter, a period marked historically as a slow one for Kings Table.

Restaurant sales for the 1982 second-quarter rose 12.6% to $7.7 million—for the 24-week period, up 12.6% to $15.6 million—compared to the year-ago periods.

The company trimmed its loss in fiscal 1981 to $1.2 million from a $1.5 million loss in 1980. Revenues in fiscal 1981 rose 7% to $32.5 million.

In its last profitable year, fiscal 1979, the company had profits of $427,000, a 49% drop from 1978 despite a 29% revenues increase to $26 million.

"We have not arrived by any means," said Roger Houmes, president, chairman and chief executive of the over-the-counter concern he inherited from his father, the founder.

"But when you look at where we've been, what we did and the recovery we made," the 39-year-old Houmes said, "I think it would be reasonable to expect that next year, [fiscal 1983] we'll be back to a respectable 5% after-tax profit on sales."

Kings Table, a chain founded in Springfield, Ore., in 1957, when Wilbur Houmes, now retired, started serving smorgasbord twice a week at his drive-in restaurant, made many of the classic mistakes of a growing chain, chief executive Houmes recalled.

"We had been on a rapid expansion program—for all the right reasons, but at the wrong time," Houmes said.

"The economy turned down in 1979, discretionary dollars were eroded by fossil fuel prices," he said. "We were trying to keep our margins. But we were raising prices at a time when that was the last thing our customers wanted to see."

By October 1980, "we were in real trouble," he said.

The chain's 22-unit franchisee which had a 10-state outpost centered at the borders of Kentucky, Ohio and Indiana was going bankrupt and closed its Kings Table operations in 1979. In 1980, Kings Table pulled out its company stores from Dallas-Fort Worth and retreated to the Pacific Northwest.

From a peak in 1978 when the chain numbered 73 of the 5,000-sq.-ft. restaurants, the firm is now 100%-company-operated with 50 cafeterias and one family restaurant concept.

Expansion took its toll. In 1979, the company had about $8 million in debt, much of it financed at a half-point over prime and was paying $1 million a year in interest, Houmes said.

While he still has faith in shopping center locations, he said, "We spent more money than we should have for some sites. Now they're practically giving those locations away."

Faced with dwindling customer counts and heavy debt, Kings Table first cut expenses, putting them more in line with the needs of the shrinking chain. Reducing staff at headquarters and other belt-tightening moves saved $114,000 in fiscal 1980.

In October 1980, part of fiscal 1981, "we decided to go to our strength, the senior market," Houmes said. "We had never been very attentive to that part of our business."

Prices for senior citizens were cut. With the $1 purchase of a privilege card, senior citizens could eat lunch for about $2, when before it had cost $3. Dinner prices under the program were cut similarly from $4 to $3. And the fixed prices included a beverage.

"The prices were ridiculously low," Houmes said. "They were set not to make money but to just cover our costs."

After four months, the number of senior citizens frequenting Kings Table buffets had quadrupled, he said.

Houmes quipped that the program was so successful at drawing traffic that almost anyone could qualify as a senior citizen. "You only had to look tired." And, "we thought about reducing the [qualification] age to 25."

Since the discounting program started, prices have been gradually raised to $2.70 for lunch and $3.60 for dinner. "And we haven't lost any customers," he said.

The other key ingredient in Kings Table's drive to build traffic was originally intended as simply a cost-cutting measure: They did away with waitress service for beverages.

"It was really amazing to us," he said. "People preferred to serve their own coffee."

In addition, as part of the service-modification plan, Kings Table stationed an employee on the steam-table line to carve roast beef and ham to control portion sizes and so costs.

Thirty-eight restaurants had been converted to the new service format by the end of 1981. The remaining 12 are scheduled by the end of fiscal 1982.

A third part of the turnaround strategy is just being implemented. Kings Table has been testing breakfast buffets on weekends, a time when the restaurants were traditionally closed. The test has been under way in six units with one-by-one conversion set for the next 12 months.

The staff cuts, discounting and conversions have given Kings Table "19 months of continual increases in sales and profits," Houmes said. Debt should be cut $4 million by June, he added. But a true turnaround "has to be more than a flash-in-the-pan.

"If we can show half-a-million to $1 million in profits this year, we're almost a shoe-in for profitability in fiscal 1983," he said.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Acapulco & Los Arcos Restaurants	1 yr.	10/25	$27.653	45		-	$1.155	10
Frisch's Restaurants	6 mos.	12/13			$58.400	5	2.269	60
	3 mos.	12/13			24.900	4	0.968	30
Hungry Tiger	3 mos.	11/20	12.100	14			0.341	25
Taco Viva	6 mos.	11/30	6.167	44			0.219	54

Source: Company earnings reports

—Loss in current period
**In millions*
***Loss is corresponding period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Tight control advised for military food service

By John Friedman

WASHINGTON—Tighter controls to combat waste and mismanagement by food-service contractors that supply the military were recently recommended by the General Accounting Office (G.A.O.), an arm of Congress.

The Department of Defense spends more than a billion dollars a year, according to the G.A.O., to buy, cook, serve food and clean up at about 2,400 dining faciliites around the world.

Paying for the raw food alone accounts for about $700 million a year. In fiscal year 1979 (the latest year for which figures are available), the military contracted out about $130 million, or about 36%, of the estimated $360 million spent on food-service labor, supplies and materials.

In light of the magnitude of this program, the G.A.O. decided to examine it.

G.A.O. officials had expected Department of Defense officials to "have an effective common means of measuring contractor cost and performance and of comparing contracted operations between military services, between bases of the same service, and between dining facilities of the same base."

But G.A.O. investigators concluded: "They do not."

Instead, they found weak accounting procedures and "ineffective top-level management." In fact, the military was not able to answer the simple quesiton: "What does it cost to put a meal on the table?"

The Department of Defense, the G.A.O. noted, recognized this same lack of information 10 years ago and "still has not resolved it."

G.A.O. also discovered serious examples of waste. For example, there is no control to prevent unauthorized military personnel from eating free meals; while a "use it or lose it" mentality encouraged lax food accountability and fostered "waste and abuse."

In recommending uniform management of food-service functions, the G.A.O. called for:

- The development of a food cost index based on the actual items and costs of food.
- Strong internal controls over food inventories.
- A common contract with standard statements of work, meal volume adjustment formulas and measurable performance criteria.

The G.A.O. also suggested that more centralized control over the food-service operation by the Pentagon itself could be one way to lessen inefficiency and waste.

Since most of the G.A.O.'s recommendations were endorsed by the Department of Defense, outside food contractors can therefore expect tighter controls and practices.

Occupancy rate drops 73% in N.Y. hotels

NEW YORK—The occupancy rate at hotels and motels here dropped to 73.5% in 1981, the second straight year of decline, while average room rates soared to $68, according to a report prepared by Stephen W. Brener Associates Inc.

The number of available rooms remained virtually unchanged at 97,863, and the average number of rooms sold per day dropped to 71,929 from 76,649 in 1980. The price of rooms jumped 14.6% compared to increases of 22% and 19.6% in 1980 and 1979, respectively.

Four major hotels opened here last year: the Marriott at LaGuardia Airport, with 455 rooms; Vista International, with 825 rooms; the Harley, with 800 rooms and the Parker Meridien, with 597 rooms.

In addition, several newer luxury hotels, including the Grand Hyatt and the Palace which both opened in 1980, added several hundred rooms each.

Several hotels and motels closed for major renovation projects or closed to be converted to condominiums or office space. A number of major construction projects for hotels in Manhattan and at the city's airports are reported to be in the works for 1982.

One significant development in New York hotels in 1981 was the escalating prices at luxury properties in midtown Manhattan, which is where most tourists stay. "The day of the $100-a-night New York City hotel room is history," Brener said. "We are now not only approaching but breaking through the $200-a-night barrier."

Brener reports top-of-the-line quoted room rates for the city's first-class luxury hotels in November ranged from $150 to $230 for a single and $165 to $250 for a double. Hotels reporting rates in those ranges included the Carlyle, Essex House, Navarro, Helmsley Palace, Park Lane, Pierre, Plaza, Regency, St. Regis, Sherry Netherland, U.N. Plaza, Waldorf Towers and the Sherry Netherland.

"This may seem to bode well for potential gross room sales, but . . . with occupancy during the early part of 1981 off, New York City hotels may, at least at the beginning of 1982, find that the combination of the strong United States dollar overseas, a recession at home and changing air traffic patterns may again force present high occupancies down."

Brener said "the Big Apple first-class luxury hotels will continue to attain an average rate of $150 and over."

High Cost

One reason for the astronomical room rates in Manhattan is the high cost of developing hotels. Brener said it would be difficult to finance, build and equip a luxury hotel in New York for less than $150,000 per room.

If the old rule of thumb applies—$1 of average rate per $1,000 of cost—"then $150 [per night] becomes a must in order to survive economically," Brener said.

Though occupancy at New York hotels and motels has declined since the 1979 boom times, when it topped the 80% rate for the first time since 1950, it is still several percentage points higher than the national average of about 68%.

In 1979, when occupancy was 81.4%, an average room in New York cost $49.90.

Brener said he expects occupancy rates in New York to remain relatively stable this year, a view shared by others.

"Considering the uncertain state of the economy, New York City has done exceedingly well in the visitor industry during 1981," Charles Gillett, president of the Convention and Visitors Bureau, said. "We are cautiously optimistic about 1982 and despite many major bookings in the city's hotels, a great deal depends upon the national economy."

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SANITATION

The business of keeping clean—Page 31

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Reagan message signals growing industry clout

***NRN* Special Report**

WASHINGTON—President Reagan's "new federalism," revealed late last month in his State of the Union message, is at least in part a recognition of food-service industry lobbying, say some top industry officials.

Restaurant executives, contract services executives, association executives and others say they see some evidence of food-service's growing clout in the President's statement that he will not ask Congress "to balance the budget on the backs of the American taxpayer."

National Restaurant Association chairman Walter Conti said he saw in portions of the speech "a signal that the people in Washington are beginning to recognize our industry as a viable and important force in the economy."

Drawing special praise from food-service leaders was the President's decision to reject sharp new Federal excise tax increases on alcoholic beverages.

The tax was just part of a program, backed by some Ad-

(Continued on page 74)

Ohio neighbors fear spillover of soda tax

Similar legislation possible in Indiana, Michigan, Kentucky

By Ken Rankin

COLUMBUS, Ohio—Ohio's controversial new tax on soft drink syrup is spilling over into neighboring states despite a pro-restaurant court decision declaring the revenue measure unconstitutional.

At presstime, Indiana food-service leaders were rallying industrywide opposition to a similar legislative proposal in that state calling for a stiff, 28¢ per gallon tax on all "finished" soft drinks. According to Hoosier restaurateurs, that measure would add more than $60 million annually to the cost of soft drinks in Indiana.

At the same time, food-service operators in at least two other states bordering Ohio—Michigan and Kentucky—are growing increasingly concerned that proposals patterned after the Buckeye syrup tax may surface in their legislatures this session.

"We haven't had any specific soft drink tax legislation introduced so far, but we have heard rumors that a bill may be in the works," Kentucky Restaurant Association executive vice president Mildred Potter told *Nation's Restaurant News*. "Our members in the northern part of the state are particularly concerned that some version of the Ohio tax could spring up here."

Indiana Restaurant Association executive vp Warren Spangle, who spearheaded a coalition to derail the soft drink tax in his state, said the proposal would increase food-service costs by nearly 3¢ per 12-oz. serving. "I think we managed to bottle up the bill in committee this session," but there's concern that the plan may resurface at a future date, he said.

The Ohio legislation triggering that concern was approved late last year as part of a broader revenue bill despite frantic food-service industry lobbying during the waning days of the '81 session.

That measure slapped a statewide 25¢ per gallon tax on soft drink "premix" plus a crushing $2.75 per gallon tax on post-mix syrup.

The tax, which took effect immediately after passage, more than doubled the cost of

(Continued on page 74)

Bojangles kicking its heels in chicken market

By Charles Bernstein

CHARLOTTE, N.C.—It's the day before a Bojangles opening here. The store is completely deserted. An impression of impending disaster hangs in the air.

Actually the store's five managers and 50 crew are resting at home, waiting to perform another mini-miracle. They will jump into action the next day at a scorching pace that should assure well over $1 million annual sales for this unit.

It's all part of Bojangles' philosophy of boosting morale, fighting crew fatigue and keeping the troops fresh and eager. "The customer doesn't care what problems we face on opening day," observed Richard Thomas, president and chief operating officer of the spicy chicken and biscuit chain which bids to take the Southeast by storm. "He or she expects a top performance right from the starting gun."

Horn & Hardart, New York-based Arby's and Burger King franchisee as well as a mail order house and hotel-casino operator, recently acquired Charlotte-based Bojangles with the intention of rapidly expanding the 52-unit chain.

Bojangles already is setting an imposing pace with a $1.1 million average annual per unit volume in the chicken segment which includes among the newer entries Grandy's of Texas, Ron's of Texas, Chicken George of Baltimore and Sisters of Columbus, Ohio (owned by Wendy's) along with established KFC, Church's, Popeyes, Famous Recipe and Golden Skillet. (The latter two were acquired last fall by Shoney's and International Dairy Queen, respectively.)

A delicate blend of factors is enabling Bojangles to chalk up an estimated 40% return on equity, 30% on assets, and unit sales that have risen by an average of at least $150,000 annually since the chain was founded 4½ years ago. The chain had a $357,000 net profit and $9.56 million total sales for its fiscal year ended last May 31, compared with a $41,000 net profit and $3.18 million sales the previous year. But current fiscal year sales should hit $40 million.

These results are being achieved on an average initial land, building and equipment investment cost of $600,000.

Bojangles' blend is comprised of diverse elements. First, there's a well-balanced leadership team. Then there's an astutely merchandised price/value relationship in Bojangles quality Cajun-style spiced chicken and variety of biscuits—all produced from scratch. There are the diverse

(Continued on page 73)

Jack Fulk Sr., Bojangles chairman and ceo, helps prepare food in kitchen. He handles all recipes and product testing himself.

LATE NEWSBREAKS

McDonald's reported a 20% net profit rise to $265 million and a 15% sales increase to $7.1 billion for 1981.

KFC parent Heublein Inc. agreed to buy 80 KFC units operated by Gino's. Price was not disclosed. Gino's itself is in the process of being acquired by Marriott.

Wienerwald restaurants have opened in San Diego and suburban Chicago under the sponsorship of IHOP Corp., a company controlled by Wienerwald chairman Friedrich Jahn.

Chester Hall plans to step down as executive vice president of the National Institute for the Foodservice Industry (NIFI) after serving nine years in the post. NIFI president William Stratton said he accepted Hall's decision "with deep regret."

R. Richard Ablon has moved from executive vice president to president of Ogden Food Service.

Big score for food-service operators

Detroit claims Super Bowl victory

By Rick Telberg

DETROIT—When the San Francisco 49'ers beat the Cincinnati Bengals 26-21 at Super Bowl XVI last month, food-service operators claimed the victory for themselves.

The weeklong hoopla pumped an optimistically estimated $60 million into the Detroit-area economy. Most went to restaurants, taverns and hotels.

Much of the spending came from local residents, who are suffering a 15% unemployment rate in this auto-making capital.

Food-service operators played for the cash with special attractions including giant-screen TV's, cheerleaders and marching bands.

The deserted main drag of Pontiac, where the 24% unemployment rate matched the mean temperature—24°F, was revitalized with 23 shops, mostly taverns, and renamed "Bourbon Street North." It did a land-office business, but after the game in the nearby Silverdome, little more than the plywood facades remained.

Hotels, which without the Super Bowl would have expected a weekend occupancy rate of 20%, enjoyed full houses and were forced to restrict reservations to three-day stays.

Not only in the Detroit area, but from San Francisco to Cincinnati and beyond, food-service operators keyed special promotions to Super Sunday.

A number of Detroit area restaurateurs were banking on the

(Continued on page 74)

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Florescue's 8% VS interest viewed as 'investment'

By Charles Bernstein

LARKSPUR, Calif.—Horn & Hardart's purchase last month of 8% of Victoria Station's stock touched off speculation about a possible takeover attempt, but reliable indications are that the move was strictly an investment one.

"We're doing this as an investment," declared H&H president Barry Florescue. "We see an excellent investment opportunity here, and that is the extent of it. Of course I'm interested in seeing Victoria Station do better in the future, but that's to improve our investment."

He did not rule out acquiring more of the stock if the company shows progress, but he did emphasize that he has no desire for a takeover and that "the management team headed by Terrance Collins clearly will continue running the chain."

Industry skeptics insisted Florescue nevertheless may have eventual takeover designs which he could not discuss publicly now. Yet industry financial sources are convinced that with Victoria Station's stock having plenty of room to grow, Florescue has seized a chance for a profitable investment.

He was slated to meet with VS executives here at presstime in a mutual information session relating to VS's future plans. Florescue has a major stake in the company's future since he is now its second largest stockholder.

The largest is the Bermuda investment firm of American Values, which owns about 26% of the stock. After Florescue, the next largest stockholder with about 5% is former executive vice president Peter Lee, who with former president Richard Bradley and former executive vice president Robert Freeman founded the chain in 1969.

If Florescue wanted to combine forces with Lee and/or American Values, he would have the strength for possible full control. But this apparently is not in his game plan now.

Florescue took command of Horn & Hardart four years ago after he led a stockholder group that gained control of the board of directors, resulting in the departure of chairman and president Frederick Guterman. The company's fortunes have risen ever since with a wide diversification program, becoming an Arby's franchisee

(Continued on page 73)

Marriott reveals plan for financing expansion

WASHINGTON—The Marriott Corporation, which wants to expand the number of its hotel rooms by at least 20% each year for the next three years, plans to sell limited partnership interests to develop and operate 11 hotels.

Marriott said a group of hotels has agreed to lend the partnership, of which Marriott will act as general partner, up to $456.3 million to finance the acquisition, construction and operation of the properties.

Hotels would be operated as part of the Marriott system, the company, which is based near here, said.

A registration statement for the proposed offering was filed with the Securities and Exchange Commission.

Selling limited partnerships to the public is the latest of Marriott's efforts to raise cash for expansion.

Over the past seven years, the hotel and food-service company has sold some $420 million in equity interests in hotels, mostly to institutional investors.

Such funds, however, have been getting harder and more costly to attract; hence the plan to sell limited partnerships, which are in effect tax shelters.

Meanwhile, Marriott was readying to wrap up its pending acquisitions of Gino's and Host International.

PUBLISHERS CORNER

Operators urged to fight beef rules

By Thomas J. Haas

In almost every editorial written by Charles Bernstein or myself are the words quality and value.

Why? Because your customers are continually demanding better products; they will not stand for high-priced mediocrity.

Now come the proposed recommendations by the U.S.D.A., which coincide almost verbatim with the suggestions of the National Cattlemen's Association to further alter beef grading standards. Memory of the last grading changes still lingers like a wound that doesn't heal.

What has this new deception of the American consumer to do with quality and value?

The changes instituted five years ago were supposed to improve beef sales by making meat more reasonable for the consumer. But beef prices have skyrocketed ever since, placing great pressure on food-service operators and diluting the meaning and quality standards represented by the definition of Prime and Choice.

To further downgrade the standards simply means that cattle would be fed not on grain but grass and yet beef would cost as much, if not more.

Consumption continues to fall off because of lack of quality and taste. The consumer has determined that the price of beef in supermarkets or restaurants often is not worth the expense. American consumers can and have changed their eating habits—if beef is expensive and poor in quality, they will purchase poultry, pork, lamb or seafood instead.

Yes, consumers are more health and weight conscious today. Even more, they are concerned with how they spend their dollars in a period of declining disposable income. As the economy tightens, as basic necessities become more expensive, no one will spend more for less.

Now is the time to do something. Write to your congressmen and senators. Support the position of the National Restaurant Association.

Customers are *mad as hell*, and they aren't going to take it anymore. Quality-oriented operators and the NRA *will not* support this deception.

Take steps now to prove your interest in providing the best quality at an honest price. Truth-in-menu certainly does not mean calling a Choice grade Prime and a Commercial grade Choice. If consumers are deceived, they *will* get madder than hell, and *won't* buy beef anymore. Then we'll all be losers.

Wage hikes proposed for restaurant workers

WASHINGTON—Reagan Labor Department officials are developing proposals to revive a controversial Carter Administration increase in minimum salary requirements for thousands of restaurant industry supervisory workers.

One of the options under consideration by the department would force food-service operators to choose between paying crippling overtime wage rates to many salaried "administrative" workers, or doubling the salaries of those employees to comply with the Federal Fair Labor Standards Act.

In its most extreme form, the alternative outlined by regulators at the department's Employment Standards Administration last month could add hundreds of millions of dollars to labor costs within the restaurant industry.

But at the same time, Federal Wage and Hour Administrators offered hope of partial relief for food-service operators and other retail industry employers—the possibility of a special reduced minimum salary test covering these businesses only.

Since restaurant and retail groups have been the most vigorous opponents of efforts to increase minimum salary requirements for F.L.S.A.-exempt supervisory workers, Labor Department officials have been attempting to blunt objections from these segments by proposing a salary test differential in private meetings with industry lobbyists.

One plan advanced by the department would raise the minimum salary levels by 45% for most businesses but allow retail and food-service firms to escape with a more modest 23% increase.

Although labor officials did not refer to this plan directly in last month's "regulatory calendar" announcement, they did stress that the use of "a single average percentage increase may result in levels that exceed the rates paid to some executive, administrative and professional employees in certain retail and service industries."

Under current F.L.S.A. regulations, bona fide "executive" and "administrative" employees are exempt from Federal overtime pay requirements, provided they earn a minimum weekly salary of at least $155.

Last year, during their final days in office, Carter Administration labor law regulators approved a sharp increase in this weekly "salary test" level which would have required overtime pay rates for all supervisory workers earning less than $225 per week.

Only days before that hike was due to take effect nationally, incoming Reagan Administration labor officials suspended the increase "indefinitely" pending a review of industry charges that the change would create an inflationary burden on business.

When the salary test raise was originally proposed, Carter Administration officials dismissed predictions of an inflationary impact by citing the resuls of an in-house study which indicated that the plan would boost total labor costs by "only" $53 million annually.

Oil tycoon bids for New York's '21' Club

NEW YORK—For the second time in recent years, there is talk that ownership of the landmark "21" Club on West 53rd Street may be taken over by an oil tycoon.

Sheldon Tannen, one of the owners of the famous club, a gathering place for notables, confirmed that talks were taking place but he wouldn't say with whom.

The prospective buyer is reportedly one of the sons of Orin E. Atkins, chairman and ceo of Ashland Oil. The son reportedly offered $17 million for the restaurant and its subsidiaries, which include a specialty food company, and the "21" management division, which runs a Dallas hotel-restaurant called the Mansion at Turtle Creek and plans others.

The "21" Club is owned by Tannen, Jerry Berns, Peter Kriendler and Tannen's mother, who was a Kriendler before her marriage.

Another bid was made a few years ago for the company when Baron Enrico di Portanova negotiated to buy the club. The deal later fell through, and other bids have reportedly occurred since then.

HIGHLIGHTS IN THIS ISSUE

Absolute cleanliness should be the No. 1 priority for all food-service operations. In an editorial, *NRN* editor Charles Bernstein urges the industry to comply with the highest possible standards of sanitation. *Page 6.*

Sanitation programs have risen high on the list of priorities for many operators, while being virtually ignored by others. In this issue's Focus section, *NRN* examines the crucial question of cleanliness in food service. *Page 31.*

Foreign investors and developers are stepping up their involvement in America's lodging and food-service industries. *Page 7.*

Burger King ends speculation by announcing that it will keep its 750-person headquarters in the city of Miami. *Page 10.*

Victoria Station prepares for a chainwide rollout of its expanded lunch menu and revised dinner menu. *Page 23.*

Roger Vergé, renowned restaurateur of the south of France, answers a variety of questions posed by students at the Culinary Institute of America. *Page 27.*

Marketing expert Barry Klein, in the third of a series of marketing memos, asks the question: "Has success spoiled Ma and Pa?" *Page 44.*

The National Restaurant Association's board of directors unanimously adopts a resolution to take a strong stand against excessive bureaucratic regulation. *Page 47.*

Restaurateur John Antun discovers that choosing the wrong name for your restaurant can cause serious image problems. *Page 50.*

Amfac, the Hawaii-based company whose revenues exceeded $2 billion in 1981, has plans to open as many as 32 luxury hotels on the American mainland in the near future. *Page 58.*

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FINANCIAL NEWS

Denny's 2nd quarter earnings jump 45%

LA MIRADA, Calif.—Denny's Inc., reported a 45% net profit jump to $8.5 million on a 12.5% revenues gain to $231 million for the second quarter ended Dec. 25, compared with the same period last year.

At the same time, the company declared a 3-for-2 split on common stock, and increased its quarterly cash dividend by 9%.

The stock distribution is payable April 1 to holders of record March 10. Denny's currently has 9.9 million common shares outstanding.

For the fiscal first half, Denny's net income of $19.2 million represented a 43% gain over the same period last year. Revenues for the six months were $472 million, a 14% increase.

Denny's president and ceo Vern Curtis attributed the improved results to "an even balance between increased traffic counts and higher menu prices."

Increased customer counts accounted for approximately half of the 11% gain in average domestic restaurant sales for the quarter, Curtis said. Average sales of a domestic Denny's restaurant were $220,000 during the second quarter.

Denny's did not open any new units during the quarter. Curtis pointed out that the 841 domestic Denny's restaurants operating at the end of December represented a 2% increase over the 822 operating on the same date in 1980.

During the quarter Denny's acquired 12 shuttered Sambo's restaurants. The units are scheduled to open as Denny's restaurants in the near future, Curtis said.

There are currently 39 Denny's restaurants under construction including the 12 former Sambo's units that are being remodeled.

The company also operated 865 Winchell's Donut Houses at the quarter's close. Doughnut division operating income increased 20% during the quarter. Revenues were up 2%.

Average doughnut house sales for the quarter were up 7%.

Coke expands into movie industry

ATLANTA—Coca Cola Co. has tentatively agreed to buy Columbia Pictures Industries, a movie maker, for about $760 million in cash and stock.

Coca Cola chairman Roberto C. Guizueta said his company made the move because big growth is expected in the film industry.

Previous Coca Cola expansion has generally been closer to home with development or purchase of new soft drinks, diet sodas, fruit juices and wine labels. The company is the United States' fourth largest wine producer.

Sandwich Chef profits rise 10% for 2nd quarter

BIRMINGHAM, Ala.—Sandwich Chef Inc., a six-city chain of delis, reported that profits were up 10% to $157,000 and revenues up 21% to $4 million for the second quarter ended Dec. 26 compared to the year-ago period.

For the six-month, two-quarter period, profits were up 17% to $349,000 and sales were up 22% to $7.9 million.

The chain, which finished the period with 158 units, said that plans for Chicago openings would soon be announced.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Jan. 29							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	4.50	3.50	3.75	-1.00	-21.05	10.63	3.50	-1.00	-6.01	-1.07	12.83	.47	.04 F	9.3	20.0	4.3	8.0	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	15.00	12.38	14.88	2.38	19.00	21.88	10.00	.03	-.71	1.77	13.37	1.67	.43 Q	31.8	35.0	6.3	8.4	.22	1.5	01-26-82	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	26.13	24.50	25.75	.25	.98	37.25	23.75	-.15	-.10	-1.74	-3.01	4.00	-1.20 F	-23.0	4.0	1.5	6.4	2.00	7.8	11-24-81	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.50	5.38	5.50	.00	.00	8.63	4.88	-.15	-.97	-3.19	-44.07	.66	-.14 F	-17.5	-1.0	2.6	8.3	.12	2.2	12-08-81	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	3.38	2.88	3.38	.38	12.50	4.88	1.63	.20	2.44	-2.20	76.92	.47	.14 S	31.8	41.0	2.3	5.8	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	22.50	21.75	22.25	.75	3.49	22.75	16.00	.36	-1.08	1.62	-44.99	1.40	.09 S	6.4	26.0	8.0	14.9	.40	1.8	02-05-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1.50	1.13	1.50	.31	26.32	6.88	1.13	-.19	3.79	-2.81	14.83	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	15.00	12.00	14.88	2.00	15.53	16.88	6.63	-.37	1.98	-5.12	6.43	.44	.04 N	9.5	27.0	4.0	32.3	.10	.7	12-11-81	110.9	4.4	1.0	8.5	3	1280
Calny Food	CLNY	11.00	11.00	11.00	.00	.00	15.50	8.50	.27	-1.05	1.94	-69.00	1.35	-.29 N	-16.9	7.0	2.2	7.7	.20	1.8	01-28-82	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	5.50	4.88	5.50	.25	4.76	8.41	3.97	-.02	1.65	-4.94	-69.02	.96	.68 S	151.1	34.0	2.4	4.9	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	17.50	15.88	17.25	-.38	-2.13	22.88	12.50	-.58	.30	-1.76	38.35	1.75	.28 N	16.5	12.0	4.9	8.8	.60	3.5	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	18.00	16.63	18.00	-.13	-.69	27.25	11.94	-.55	.12	-1.43	3.83	.46	.37 S	137.0	35.0	14.1	28.1	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	11.25	10.13	11.00	.63	6.02	13.88	6.50	.15	.11	-1.58	-18.82	.66	-.13 Q	-17.8	30.0	2.7	18.3	.40	3.6	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	28.13	26.25	27.50	.25	.92	37.38	25.00	.13	-1.23	-1.07	-10.03	3.01	.55 N	18.7	24.0	9.9	7.9	.84	3.1	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.13	3.00	3.00	-.13	-4.00	4.63	2.50	.16	-2.23	-5.51	-7.69	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	13.50	11.63	13.38	.38	2.88	14.91	7.97	-.17	1.67	-.26	-42.06	1.56	.59 S	40.6	12.0	2.8	6.6	.24	1.8	12-23-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	5.75	5.50	5.50	-.13	-2.22	10.13	5.25	.40	-1.18	-1.09	-7.87	-.08	.07 Q	NC	NE	-1.5	78.6	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Dennys Inc	DEN	29.13	27.63	29.13	.75	2.64	31.75	21.00	.10	-.58	4.74	6.65	2.96	1.15 S	52.0	5.0	3.2	8.7	.96	3.3	03-04-82	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	13.13	11.38	12.38	-.88	-6.60	18.25	11.25	-.37	-1.42	2.72	-18.33	1.82	.28 F	18.1	21.0	8.3	6.8	.30	2.4	11-06-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.63	7.88	8.13	-.13	-1.52	9.38	5.41	-.09	-.59	-6.67	59.38	1.39	.70 S	63.0	14.0	3.0	4.5	.35	4.3	11-30-81	97.0	2.9	1.2	7.2	13	0581
Ginos	GNO	18.00	17.75	17.88	.13	.70	20.13	6.75	.27	-1.03	-5.90	-1.91	1.67	.47 N	470.0	-5.0	1.4	31.4	.44	2.5	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	5.50	5.50	5.50	.00	.00	9.00	5.00	-.52	-1.18	2.38	-50.00	.27	-.15 S	-19.7	-24.0	.7	9.0	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	4.13	3.88	4.00	-.25	-5.88	10.50	2.25	1.22	-.45	-1.60	-30.00	.44	-.20 N	-34.4	-10.0	8.6	10.5	.00	.0	00-00-00	22.2	1.9	1.8	13.6	10	0980
Hilton Hotels	HLT	39.88	34.50	39.88	4.00	11.15	52.25	33.25	-.05	1.34	.00	-6.20	4.22	.22 F	5.5	34.0	18.4	9.4	1.80	4.5	03-01-82	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	27.25	24.13	26.88	1.38	5.39	33.25	21.13	-.12	1.43	2.33	20.04	2.92	.69 N	23.6	28.0	7.1	7.4	.74	2.8	12-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	36.00	36.00	36.00	-6.00	-14.29	48.75	32.25	-.17	-1.09	-1.78	-75.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	12.75	10.50	11.00	-1.88	-14.56	16.38	7.28	.01	-.73	-1.05	-17.95	.87	.09 N	10.0	42.0	3.1	11.1	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Host Intl	HII	30.13	29.38	30.00	1.13	3.90	30.13	12.00	.49	-1.02	5.35	1.11	2.74	-1.82 N	-62.1	4.0	3.9	27.0	.60	2.0	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.75	7.50	7.63	.13	1.67	9.38	5.25	.31	-.79	1.07	31.58	.92	.12 Q	14.4	43.0	3.2	8.0	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.44	1.31	1.44	.13	9.52	2.00	1.06	.23	-.22	-1.76	-15.63	.62	-.15 S	-21.1	28.0	2.1	2.6	.16	11.1	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.75	9.25	11.75	2.25	23.68	13.25	8.50	.22	3.67	.59	-2.70	1.72	.38 F	28.3	50.0	6.0	6.8	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.13	2.00	2.13	.00	.00	3.38	1.88	.35	.57	-4.00	-33.00	-.65	.19 S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	5.25	4.38	5.25	.75	16.67	5.25	2.63	1.51	2.61	6.35	4.06	.63	.69 Q	NC	-2.0	3.0	7.6	.00	.0	00-00-00	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	17.63	15.63	17.63	.13	.71	27.63	15.63	-.44	2.14	-.72	-1.64	1.70	.39 S	26.5	23.0	5.6	9.5	.12	.7	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.00	3.75	3.88	-.25	-6.06	4.38	3.38	.17	-1.44	-1.79	-50.65	-.25	-.51 F	-196.1	-23.0	-2.9	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.25	14.75	15.25	.00	.00	16.25	10.75	.20	-.08	.16	-41.36	.58	.74 S	NC	148.0	5.9	20.6	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.63	1.63	1.63	.00	.00	9.00	1.50	.37	-1.09	-15.10	.00	-.60	-.39 N	NC	-96.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	26.75	25.25	25.50	-1.50	-5.56	28.25	19.00	.05	-1.28	.73	-22.66	1.45	.27 Q	21.7	23.0	9.1	16.9	.48	1.9	12-15-81	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	6.00	5.00	6.00	.75	14.29	7.28	5.00	-.55	3.77	-4.54	52.30	1.15	.13 S	11.8	8.0	5.8	4.9	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	36.50	33.25	36.50	2.13	6.18	47.00	29.75	-.09	1.01	.04	-27.14	2.60	.59 N	23.9	28.0	4.2	12.0	.30	.8	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	64.25	58.63	63.63	3.75	6.26	72.88	52.38	-.07	.64	1.39	.44	5.49	1.03 N	19.4	19.0	10.1	10.1	1.00	1.6	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	8.88	8.38	8.63	.00	.00	13.88	8.13	.26	-.49	-3.84	3.13	.95	.01 S	1.0	6.0	3.9	8.8	.32	3.7	01-04-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.50	2.25	2.50	.25	11.11	4.75	2.13	.41	1.03	.92	26.30	.22	.04 F	22.2	-43.0	.5	11.4	.02	.8	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.50	.69	1.50	.81	118.18	1.75	.63	-.44	17.47	4.91	85.64	-.87	-.41 S	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	12.25	9.00	.28	-1.05	-.07	-34.09	1.74	.48 F	38.0	18.0	1.3	5.3	.32	3.5	12-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	11.13	8.88	10.50	1.50	16.67	11.38	5.63	.34	-1.07	1.99	-39.94	1.01	.47 Q	77.0	25.0	5.4	9.7	.20	1.9	11-19-81	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	14.75	14.50	14.50	-.13	-.85	19.00	12.41	.29	-1.36	-3.82	-1.39	1.30	.16 S	12.8	16.0	6.1	10.3	.48	3.3	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	6.50	5.63	5.75	-.63	-9.80	11.50	5.50	-.10	-1.47	-3.73	-16.91	.59	.08 N	14.5	-2.0	1.4	9.1	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	22.00	19.50	22.00	3.00	15.79	28.25	18.00	-.13	1.77	1.21	.46	.04	.34 N	NC	98.0	.9	64.7	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	13.38	12.13	13.13	.88	7.14	19.75	10.50	-.28	.98	-2.40	10.05	.60	.41 N	39.4	3.0	.8	9.1	.40	3.0	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.13	5.75	6.13	.13	2.08	12.50	5.25	.00	.30	-5.21	25.95	.53	.70 N	184.2	33.0	4.1	5.7	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.63	4.00	4.63	.25	5.71	8.25	4.00	.25	2.04	-6.03	-31.06	.64	.39 N	60.0	29.0	1.6	4.4	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	20.38	17.13	19.38	1.75	9.93	23.75	9.25	.24	-.70	4.45	2.70	2.36	1.33 S	75.5	18.0	1.4	6.3	.44	2.3	11-16-81	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	8.00	7.50	7.88	.25	3.28	17.88	6.84	.43	-.80	-3.54	-15.53	.55	.69 N	NC	53.0	5.7	11.4	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.25	8.00	8.25	.00	.00	13.00	7.00	.16	-1.11	-4.83	-56.25	1.10	1.34 N	183.5	22.0	2.5	4.0	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	14.38	13.50	13.75	-.88	-5.98	15.00	11.16	.04	-.65	2.59	24.42	1.03	.20 F	24.0	21.0	5.5	13.3	.16	1.2	12-28-81	210.6	11.8	1.0	1.2	4	1080
Sonesta Hotel	SNSTZ	10.75	10.75	10.75	.00	.00	15.00	9.81	.27	-1.13	3.42	.49	2.24	.09 N	6.2	80.0	3.6	7.1	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2.69	2.63	2.63	.00	.00	3.25	2.31	.43	-1.55	-5.88	-56.44	.06	.09 F	NE	-30.0	.5	43.8	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Valles Steak	VLE	5.88	5.63	5.75	-.13	-2.13	7.63	4.38	.24	-.82	-5.39	-10.26	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	9.63	8.75	9.00	-.63	-6.49	11.25	6.25	.68	-1.09	-2.02	-9.92	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	7.13	6.38	7.13	.00	.00	8.88	5.25	-.65	1.28	1.12	-1.98	-.05	.43 N	NC	-2.0	-.2	16.6	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	14.25	13.25	14.25	.38	2.70	19.38	10.84	.22	.45	-1.95	-8.26	1.34	.32 N	27.3	30.0	8.7	9.6	.28	2.0	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.63	6.63	6.75	-.13	-1.82	13.63	6.50	.32	-1.09	-4.51	-.24	-.49	-.81 N	-77.8	-42.0	-.9	29.3	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL

Jerrico's net up 8% for second quarter

LEXINGTON, Ky.—Jerrico Inc., operator of Long John Silver's sea-food fast-food restaurants and Jerry's coffee shops, reported net income rose 8% to $5.2 million for the second quarter ended Dec. 31 compared with the same period last year.

Sales for the quarter rose 9% to $103.1 million.

For the six months ended Dec. 31, net income increased 22% to $11.7 million on sales that rose 15% to $212.4 million.

The company said second quarter results, seen in the context of the six-month period, reflected "the further impact of the recession."

After allowing for a 4% weighted price increase, sales for comparable company-operated Long John Silver's units were off by 5% for the second quarter. (Comparable shoppes were open for the entire period in both years.)

Average sales for the six months ended Dec. 31 were $232,600, an increase of 3%. Average pretax earnings were up 5%, to $46,000, over the prior year's comparable period.

Second quarter sales at company-operated Long John Silver's were off 2%, to $111,300, from the same quarter of the prior year. Average pretax earnings also dipped slightly, to $21,000 from $22,400, the company said.

Jerrico added 53 units (43 new units and 10 acquired from franchisees) during the first six months of the current fiscal year. Franchisees opened another 24 stores.

As of Dec. 31, there were 1,191 Long John Silver's, of which 703 were company operated and 488 franchised.

Jerrico said it expects to meet its development goals of 85 company operated and 50 franchised units for the current fiscal year.

Velvet Turtle and Straw Hat Pizza—and provide food service to colleges, businesses, and hospitals through its education, business and industry, health care and Canadian divisions.

Piccadilly profits up 15%

BATON ROUGE, La.—Piccadilly Cafeterias, an 80-unit chain, reported profits up 15% to $3 million and sales up 12% to $37.1 million for the second quarter ended Dec. 31 compared to the year-ago period.

Profits for the first six months were up 15% to $5 million and sales were up 12% to $71.8 million compared to the previous year's period.

The company attributed the sales and profits gains to operating efficiencies, a continued increase in traffic counts and slowed increases in wholesale food prices.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Church's	1 yr.	12/27			$ 420.200	7	$44.600	17
Delta Airlines	3 mos.	12/31			894.600	4	8.500	– 80
Denny's Inc.	6 mos.	12/25			472.100	14	19.200	42
	3 mos.	12/25			230.800	12	8.500	44
Eastern Airlines	1 yr.	12/31			3,730.000	8	(65.900)	—
	3 mos.	12/31			892.600	0	(26.000)	—
Jerrico	6 mos.	12/31			212.384	15	11.680	22
	3 mos.	12/31			103.106	9	5.154	8
Peoples	1 yr.	12/27	$ 6.409	569			0.365	**
	3 mos.	12/27	3.715	569			0.205	**
Piccadilly Cafeterias	6 mos.	12/31	71.753	12			5.045	15
	3 mos.	12/31	37.068	12			2.980	15
Saga Corp.	1 yr.	12/26			444.348	11	9.995	61
	3 mos.	12/26			250.776	11	7.903	51
Sandwich Chef	6 mos.	12/27	7.903	22			0.349	17
	3 mos.	12/27	3.965	21			0.157	10
Trans World	1 yr.	12/31	5,270.000	6			64.300	– 5
	3 mos.	12/31	1,240.000	0			(9.200)	—
UAL	3 mos.	12/31					(73.900)	—

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
***loss in previous period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Earnings climb 51% at Saga

MENLO PARK, Calif.—A 51% increase in net income to $7.9 million for the second quarter ended Dec. 26 was reported by Saga Corp., the restaurant and food-service company. Revenues for the period were up 11% to $250.8 million from $225.4 million a year ago.

For the first six months, net income increased 61% to $10 million, from $6.2 million earned in the previous year's first half. Revenues rose by 11% to $444.3 million from $398.9 million in the comparable period of fiscal 1981.

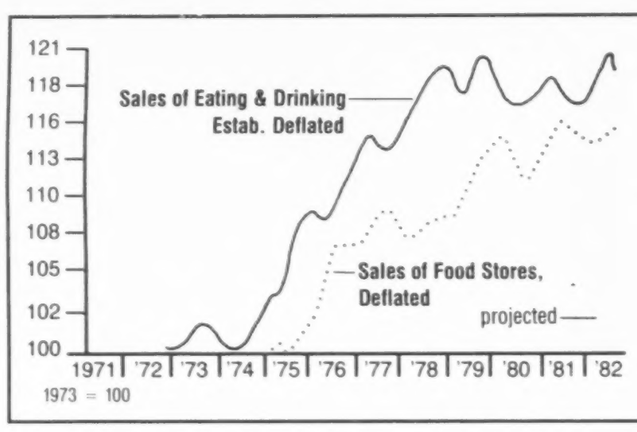
Chairman and ceo Charles A. Lynch said many of the factors contributing to Saga's first quarter performance also had a favorable impact on this quarter's excellent results. These included continuing moderate food cost increases, lower net interest expense and strong management controls.

Saga Corporation owns and operates three restaurant chains—Stuart Anderson's Black Angus/Cattle Company,

NRN
examines
2ND TIER CHAINS
coming soon

L/F ECONOCYCLE

Food-service sales to climb in 2nd half



Eating & Drinking Estab.

Sales Change By Quarter

	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	12-Month % Change '80 %	'81 %	'82* %
Sales include inflation	7.4	11.4	9.7	6.6	5.8	5.3	9.3	11.3	8.7	8.7	7.9
Real sales (Deflated)*	– 2.1	2.1	0.6	– 1.0	– 0.5	– 1.3	2.2	3.2	– 0.7	– 0.1	0.9

Base = Nov. 1981 Sales
*Projected

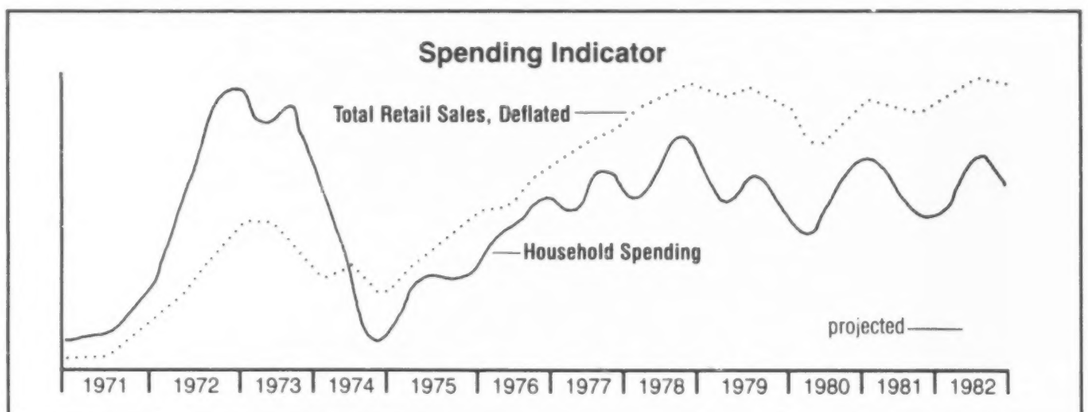
Tight-fisted consumer spending patterns (chart below) are again acting as a mirror to the general retail sales curve—indicating that retail gains could match, but won't outrun 1981 results or levels, according to the latest Econocycle forecasts.

Coupled with a current downturn in the spending mood, in fact, general retailing is not expected to start posting positive gains until midyear. The good news is that sales should start nosing up in and through the second quarter, propelled by strong gusts in several key sectors.

Food-service operators won't show real gains (vs. 1981 results) until the second half—but the Econocycle trend analysis indicates that after its second half 1981 downturn, eat-out sales are recovering at a healthy rate and will continue to climb sharply in the third quarter this year.

The L/F Econocycle projection for food service shows an erratic pattern for sales velocity through the later winter months. March sales are expected to decline 2%-3% from same-month a year ago—resulting in a slight decline in total first quarter results.

For general retailing, the latest figures now indicate that fourth quarter 1981 results were not as poor as previously expected in the Econocycle projections. Three months ago, the computer model predicted a 0.2% fourth period gain. New figures show an improved 0.4% increase in the still-to-be-tabulated fourth quarter. Looking ahead, total retail sales will also decline gradually through March (off 2% in month-to-month comparisons), followed by a sharp pickup brought on by the coming spring thaw.


Spending Indicator
Total Retail Sales, Deflated
Household Spending
projected
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	8.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	13.6	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.5	9.7	7.5	8.1	5.1	8.5	9.4	8.3
	4Q	7.4	8.3	6.6	– 2.0	4.3	3.4	7.9	5.5	5.6
1982	1Q*	5.3	8.1	5.8	– 4.8	4.6	3.0	3.8	3.1	3.2
	2Q*	3.6	8.1	5.3	7.1	4.6	9.5	6.2	2.9	5.0
	3Q*	7.0	8.6	9.3	16.6	6.0	10.9	6.7	7.2	7.9
	4Q*	10.3	9.5	11.3	16.5	6.7	8.8	5.9	10.5	9.1
% change 12 mos.	1980	6.4	10.8	8.7	– 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.9	9.7	8.7	7.1	8.2	6.4	8.7	8.8	8.2
	1982*	6.6	8.6	7.9	8.5	5.5	8.0	5.6	5.9	6.3

Real Sales (Deflated)*
% Change By Quarter

1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.2	1.4	0.6	0.8	– 1.7	– 0.4	4.1	3.1	2.6
	4Q	0.4	3.6	– 1.0	– 7.2	– 4.1	– 2.1	4.5	0.4	0.8
1982	1Q*	– 1.5	2.4	– 0.5	– 8.2	– 2.1	– 3.4	0.7	– 1.8	– 1.6
	2Q*	0.6	– 0.6	– 1.3	2.8	– 0.1	1.6	3.2	– 2.2	– 0.3
	3Q*	2.2	– 0.7	2.2	8.8	2.7	2.3	3.8	1.9	2.4
	4Q*	3.2	– 0.6	3.2	6.8	3.4	0.7	2.5	3.5	2.7
% change 12 mos.	1980	– 3.3	3.0	– 0.7	– 12.4	2.5	– 1.4	0.1	– 1.5	– 1.2
	1981	1.7	1.0	– 0.1	– 0.5	– 1.3	0.7	4.7	2.5	2.6
	1982*	1.1	0.1	0.9	2.2	1.0	0.3	2.6	0.3	0.8

Base = Nov. 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

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2ND TIER CHAINS
Battle for regional dominance—Pp. 37-76

Nation's
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Margins jeopardized by couponing

By Charles Forman

A deluge of heavy dealing that could eat into 1982 margins has already prompted one major fast-food franchisee, Chart House, to balk at a national coupon.

Though most Burger King franchisees agreed to redeem a free-fall coupon delivered to homes across the country in Jan. 17 Sunday supplements, Chart House and many of its Burger King sublicensees turned down the deal.

The incident, coming right in the middle of the slack January-February sales period, underscores a major fear developing in the industry. The margins that forecasters have promised for 1982's last three quarters are based in part on the difference between flat costs and inflation-boosted prices.

If menu prices are actually "too high," many restaurant customers will only eat out with coupons. The coupons themselves will work as an economic mechanism that brings food costs up to a higher-than-expected percentage of sales. Projected profits will evaporate.

The Chart House incident is still no harbinger of a stampede away from self-destructive couponing, though that is what many food-service executives would like to see.

It does reflect the feeling, especially among fast-food franchisees, that almost any kind of promotion is better than a coupon.

"If you can get a good self-liquidator, that's your best bet," said Lance Bowers, marketing manager of 22-unit, $15-million-a-year BK franchisee, Consumer Food Service, Fords, N.J., which did participate in the coupon promo.

"Over the last quarter we did 20% less couponing than for the same three months a year ago."

At Chart House, a marketing executive commented, "Chart House has come up with a policy of moving away from mass couponing. We don't mind couponing on an individual store basis—where sales are below par, or for some other special reason. But mass couponing is on its way out."

Franchisors, on the other hand, reason differently. They have less concern about coupon-

(Continued on page 113)

Strong bottom line

Church's poised for growth

By Rick Telberg

SAN ANTONIO—Despite sales problems in key markets last year, Church's Fried Chicken recorded a substantial profit and appears poised for solid growth in both profit and revenues.

The company reported a net profit of $44.6 million for fiscal 1981 ended Dec. 27, a 17% increase over the prior year.

Lower-than-budgeted-for food costs allowed Church's to overcome a 10% drop in inflation-adjusted sales.

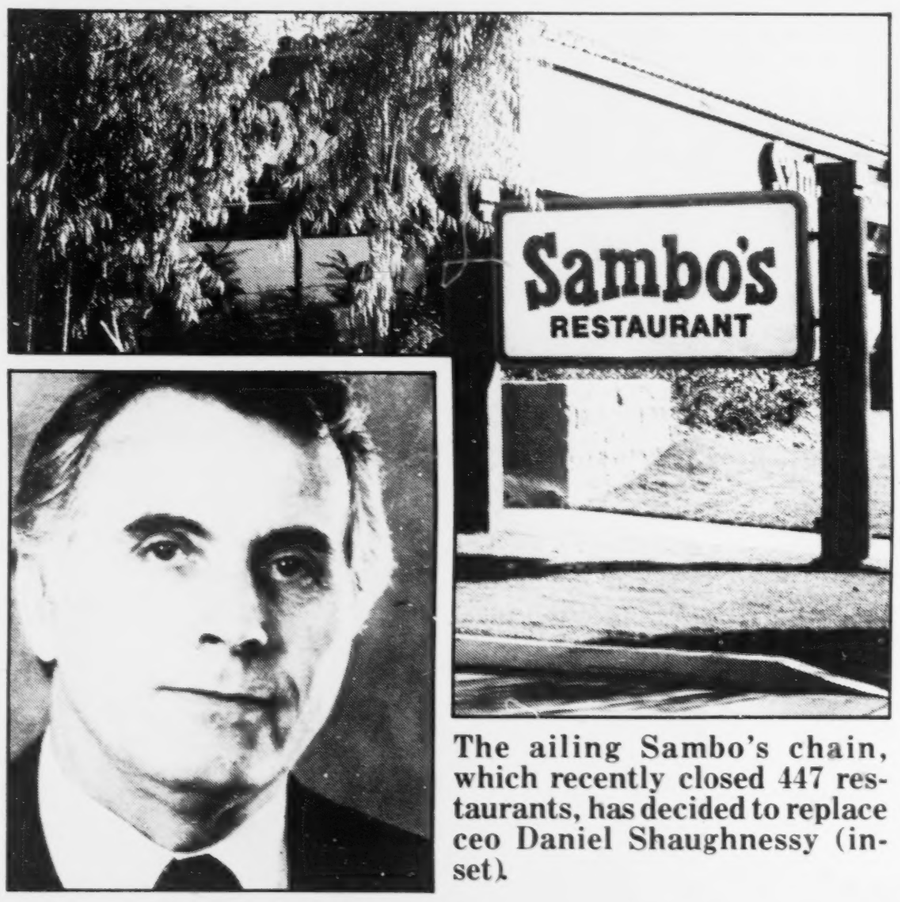
The company, which had about 1,360 units worldwide at year-end, reported revenues of $420.2 million, a 7.2% increase over 1980.

The dominant factor in Church's strong bottom line performance was the difference between the cost of broiler chickens and Church's menu prices.

Church's menu, which is priced up to 15% less than its competition, mainly KFC, is geared for 52¢-per-pound broilers. But throughout the year Church's paid about 46¢ per pound.

While industry forecasters

(Continued on page 113)



The ailing Sambo's chain, which recently closed 447 restaurants, has decided to replace ceo Daniel Shaughnessy (inset).

Sambo's ousts Shaughnessy; Luckey gets offer

By Charles Bernstein

CARPINTERIA, Calif.—City Investing Corp., under severe pressure from lenders, has ousted Daniel Shaughnessy as Sambo's chief executive officer 27 months after having given him the task of turning around Sambo's. (Earlier Sambo's story, page 2.)

The Sambo's board of directors, controlled by City Investing (which owns 34% of Sambo's), voted to drop Shaughnessy and to offer the post to Robert K. Luckey, 43, who is president and chief executive officer of Lafayette, La.-based Chart House Inc.

Luckey, who was unavailable for comment, was mulling the offer at presstime. Sources close to him said he faced a dilemma in deciding whether to leave the company where he has spent almost his entire career to accept an extremely challenging and risky position with loss-ridden Sambo's. Yet a four-year salary package offer of almost $400,000 annually could serve as an impetus for Luckey to accept the challenge.

(Continued on page 114)

Reagan budget: Industry fears backlash

By Ken Rankin

WASHINGTON—Efforts by President Reagan to hold his red ink fiscal 1983 budget to its forecast deficit of $91.5 billion may cause new woes for food service.

Last year's revenue shortfalls and Federal cutbacks have already generated an unprecedented wave of state and local legislation, drafted and introduced since the first of the year, that aims at recouping billions in lost revenues through expanded taxes.

Now the President must get $55.9 billion in new spending cuts O.K.'d just to keep the 1983 deficit from ballooning above the $91.5 billion figure.

During the five years up to 1981 the Federal Government returned from 15%-17% of its revenues to the states. In fiscal 1982, which began last fall, only 8% will be returned.

The figures are stark background for the hundreds of new tax proposals now being debated in state legislatures. But things could get even worse.

The President's proposed shift of 40 major Federal programs to the states will cut their income from Washington by 14.8% this year. By 1986, Federal grants to state and local levels will probably be sliced in half—at a cost of $2.3 billion this year and $27.5 billion by 1986, thanks to new tax breaks to corporations.

The dilemma state and local governments face is: Where to find alternate revenue sources without cutting back on needed services. Some are already battling huge existing budget deficits there's little hope they can recoup from existing revenue streams.

What food-service operators of all sizes and stripes should watch closely in the months

(Continued on page 11)

U.S.D.A. holds hearings

Opponents of beef plan speak out

SALT LAKE CITY—Food-service industry leaders lashed out at the Agriculture Department's plan to weaken Federal beef grading standards, charging that the proposed reduction in Government quality requirements would backfire on cattlemen, consumers and restaurant operators alike.

"By continually allowing lower quality beef to qualify for higher grades, we feel the integrity of the beef grading system is being seriously eroded," Ohio restaurateur Edward Elliott warned top U.S.D.A. officials at public hearings on the regulatory shift in Salt Lake City.

Testifying on behalf of the National Restaurant Association, Elliott maintained that the department's proposed reductions in "marbling" requirements for U.S.D.A. "Prime" and "Choice" beef would drive up prices, alienate consumers, and wreck food-service industry quality control efforts.

Elliott's warning was the opening shot in an orchestrated campaign by food-service leaders to derail the pending Federal grading changes during a series of full-dress U.S.D.A. hearings in five different United States cities during the past three weeks.

NRA board chairman Walter Conti voiced similar concerns at a subsequent session in Washington, D.C., charging that the quality of the nation's beef supply "is being downgraded for the convenience of the producers," and that "ultimately, the consumer is being ripped off."

At separate U.S.D.A. beef grading hearings around the country last month:

- execs from Dobbs Houses

(Continued on page 113)

LATE NEWSBREAKS

Thomas J. Russo has been promoted from Howard Johnson senior vice president for restaurants to executive vice president with new additional responsibilities over purchasing, manufacturing and distribution. He and Arthur Barrett, who was moved up to executive vice president for accommodations, report to G. Michael Hostage, HoJo's new president.

The Justice Department is looking into possible anticompetitive effects of Marriott's proposed $148 million acquisition of Host International. A Marriott spokesman said his company felt the probe of the two firms' airline catering services would not stop the deal.

Frank Dwyer, A&W president for the past few years, has joined Acapulco y Los Arcos, Pasadena, Calif.-based Mexican dinnerhouse chain. He reports to Acapulco president Jim Doherty, his predecessor as A&W president. United Brands recently sold A&W to the Taubman Co., Troy, Mich.

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Mrs. Winner's enters chicken franchising wars

By Donald Frazier

NASHVILLE—Volunteer Capital, the largest single franchisee for Wendy's, plans to build 40 units for its own new cafeteria-style chicken-and-biscuits restaurant concept.

Mrs. Winner's Fried Chicken, now a "second tier" chain in the Atlanta market, joins several other operators in the quickly emerging upscale chicken segment of the industry. The field now includes operators such as Bojangles, Grandy's, and Wendy's own new concept, Sister's.

The 49 Mrs. Winner's units now open post average annual sales of about $500,000, according to Volunteer Capital's president M. V. Hussung Jr. This figure, he added, contributes to a return on investment.

Marketing Aims

The Mrs. Winner's concept echoes that of its several competitors in the new market: open-vat fried chicken, country-style biscuits, and complementary side dishes such as coleslaw. Its breakfast program serves biscuits with a variety of items, such as eggs, sausage, ham and even steak. The average lunch and dinner check is $3; the same figure for breakfast is about $1.75.

Most of the chain—38 units—is located in the Atlanta area, where Volunteer Capital entered the chicken business by purchasing the now-defunct Granny's chain of restaurants in 1979. After building 18 units in the last three years, Mrs. Winner's now poses a threat to the leaders in the Atlanta market, Hussung said. Church's and KFC each have about 55 units there.

The chain also expects to grow in Nashville and Columbus, Ohio, where it sold its first franchise last summer. Winner's of Central Ohio, the franchisee, is headed by two defectors from the Wendy's home office. The company's contract commits it to opening 17 stores in the 17-county Columbus area by 1990.

It has also signed a franchisee to a contract requiring him to build 15 stores in eastern Tennessee, including Knoxville and Chattanooga, in the next seven years; it is on the verge of completing an agreement which would place 35 Mrs. Winner's units in a Southern state by 1990.

Meanwhile, the company plans to add eight units to the seven restaurants it now owns and operates in the Nashville area. This would make Mrs. Winner's the dominant chicken restaurant chain in this relatively small but affluent market.

Volunteer Capital sees high potential in the chicken-and-biscuits concept for several reasons, Hussung said. One of these is the popularity of rural food styles in the rapidly growing Sunbelt sections of the country. Others are the ease of preparing the limited menu and the relative stability of chicken prices at low levels relative to beef.

The all-chicken menu also benefits the Mrs. Winner's con other operators in this emerging segment, are rushing into the upscale chicken concept because they perceive a gap in the market above the leaders, Church's and KFC. These oper-

(Continued on page 114)

Denny's mulling Sambo's conversions

By Charles Bernstein

NEW YORK—Denny's is reserving judgment on whether to acquire more shuttered Sambo's restaurants pending initial results of 12 former Sambo's units reopening shortly under the Denny's banner.

"We're waiting to see how smoothly the conversions work and what the initial sales might be," said Denny's president and chief executive officer Vern Curtis at a meeting of selected analysts here. "We'll see how they fit into our system."

The 12 restaurants are being remodeled, and Curtis observed that "they are very well located and are expected to do outstanding business. Five are in Florida where we continue to experience exceptional success."

"We are in an excellent position, financially and operationally, to take advantage of such opportunities," Curtis declared, "as we have a chance to acquire some well-located units that normally would not be on the market."

(A number of the 447 Sambo's units that were shuttered of Sambo's 1,114 total) have been sold, or the leases have been sold. But it is believed some 300 remain up for grabs and that an auction may be held in Los Angeles by late March to sell the remaining stores to the highest bidders.)

One question industry analysts and Curtis have had about acquiring Sambo's sites is whether customers would feel that the location is a "permanent loser" in view of Sambo's experience and actions and whether Sambo's problems might act as a stain on the entire coffee shop industry. The answer to both these questions appears to be that consumers mainly judge a restaurant for better or for worse on how *it* performs rather than on how its predecessors performed in a given location.

Asked whether Denny's had gained any volume in areas where Sambo's closed, Curtis replied, "Not anything noticeable. I think we already had made these gains earlier when Sambo's restaurants were losing volume."

A major hangup on selling the leases of Sambo's shuttered restaurants is that only coffee shops or family restaurants generally are suited to these sites and not that many appear to be in the market for these

(Continued on page 114)

Ernest Renaud
Long John Silver's president

Thad Eure Jr.
Creative Dining Systems

Renaud and Eure win Silver Plate awards

CHICAGO—Ernest Renaud, president of Lexington, Ky.-based Long John Silver's, and Thad Eure, president of Raleigh, N.C.-based Creative Dining Systems (Darryl's) won Silver Plate awards in the fast-service and full-service categories respectively.

Winners in the six other categories of the International Foodservice Manufacturers Association's annual food-service operators of the year competition are Jacques Bloch, food-service director of Montefiore Hospital, Bronx, N.Y., hospitals and health care establishments; John Dunfey, chief executive of Dunfey Hotels, Boston, hotel food service; Richard Ysmael, employee services director of Motorola, Schaumberg, Ill., contract/industrial feeding; Albert Wood, food-services director of the Los Angeles Unified school district, school feeding; Maxine Anderson, food-services manager of Stanford University, Palo Alto, Calif., college and university feeding, and Lt. Nicholas Diorio, Naval food-service officer, Guantanamo Bay, Cuba, Government institutions and military.

A jury of eight food-service publication editors and seven previous Silver Plate winners, meeting at the Hyatt Regency Chicago last month, voted in

(Continued on page 113)

IHOP eyes Wienerwald growth

By Roman Czajkowsky

SAN DIEGO—Swiss entrepreneur Friedrich Jahn's Wienerwald restaurant concept, a major hit overseas but long dormant in this country, has been resurrected here with the conversion of two of Jahn's United States properties.

The conversions to the Bavarian style concept, which prominently features spit-roasted chicken, involve an IHOP/Copper Penny restaurant in San Diego and a Lums unit in suburban Chicago.

Another Lums, also located in the Chicago area, is scheduled to reopen as a Wienerwald in the immediate future. Other restaurants, including some Lums, are likely to be converted as well.

Whether these moves signal a major entry of the Wienerwald concept into the United States market is not at all clear.

There have been three Wienerwald restaurants in New York City for more than 10 years, but no move to expand into other markets was made.

Wienerwald Group Restaurants in the United States, totaling nearly 900, include International House of Pancakes, Lums, Love's Wood Pit Barbecue, Copper Penny and Ranch House restaurants.

According to an IHOP official in charge of test marketing the Wienerwald concept, none of the 525 IHOP coffee shops will be converted.

Instead, likely candidates for conversion include some of the 19 company-owned Copper Penny's (a division of IHOP Corp.), and selected Lums units, all on a "pick and choose" basis, the official, Stephen Pettise, a marketing vice president for IHOP/Los Angeles, said.

It's conceivable, however, that Wienerwalds might be built from scratch, or converted from properties not now part of the Wienerwald group holdings

An initial Wienerwald entry into the United States market in New York, in the 60's, was never considered successful enough for expansion. Speculation about a renewed push began building after Jahn, Wienerwald's founder, purchased Lums in 1978, then completed a two stage acquisition of IHOP last October.

The privately held Wienerwald group includes more than 1,500 restaurants, 46 hotels, and some 100 subsidiary companies, with sales of over $1 billion.

Heublein gets option to buy more Gino's stores

WASHINGTON—Already in the process of acquiring Gino's Inc., the Pennsylvania-based fast feeder, Marriott Corp. has signed an agreement with KFC parent Heublein Inc. to further carve up the Gino's chain.

Earlier this year, Marriott disclosed plans to convert as many as 200 Gino's units to its Roy Rogers family restaurant concept and sell 80 Gino's franchised Kentucky Fried Chicken restaurants back to Heublein.

Now comes the news that part of the Marriott-Heublein agreement includes an option for Heublein to purchase an undisclosed number of Gino's restaurants outright. Gino's holdings include 313 Gino's units, 113 Rustler Steak Houses and 43 KFC units. Many Gino's restaurants also serve KFC products under franchise agreements with KFC Corp.

Heublein's purchase of at least 80 Gino's outlets is subject to the successful completion of Marriott's tender offer for Gino's stock as well as the execution of a definitive agreement between the two corporations.

"This acquisition underscores our long-term commitment to reinvest in and expand the KFC system both here and abroad," said Hicks B. Waldron, Heublein's president and chief executive.

HIGHLIGHTS IN THIS ISSUE

Many of today's second-tier chains will be part of *NRN*'s Top 100 Chain Analysis in the near future. By breaking the country into United States Census Bureau regions, this issue's Focus section examines the second-tier chain phenomenon. *Page 37.*

The so-called second-tier chains of under $100 million volume often outpace their larger rivals in terms of innovation, customer counts and the all-important bottom line. In an editorial, *NRN* editor Charles Bernstein points out that if these smaller chains can avoid the pitfalls that afflict many of the giants, they will continue to be industry leaders. *Page 6.*

Imaginative displays of food in everything from street lamps to television picture tube covers helped make the dedication of Corning Glass Works' new Decker Engineering Building a food-service extravaganza to be long-remembered. *Page 19.*

Despite the woes of south Florida's tourist industry, the Mai-Kai continues to thrive. The over-quarter-century-old Polynesian themer is still one of the most popular attractions in the Fort Lauderdale-Miami area. *Page 20.*

Increased emphasis on liquor sales has helped "traditional" restaurants, lunchrooms and cafeterias survive the onslaught of the fast-food invasion, according to a new United States Agriculture Department study. *Page 22.*

After striking out with one restaurant concept on Manhattan's Third Avenue, Shelly Fireman scored a hit with his upscale Fiorella's, opened on the same site. *Page 24.*

Bill Pattison tells how he parlayed a 50¢ investment into a $120 million chain of Canadian hotels. He's now looking to expand into the United States. *Page 81.*

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COMMODITIES

Beef prices fluctuate; Chicken production slow

NRN Special Report

Meat is going through the winter price swings with vengeance. The combination of bad winter weather which has disrupted supplies reaching the market, plus the effects of a smaller herd increase than expected, has caused wide swings in the daily price postings for both beef and pork during January and February. These oscillations are expected to continue throughout this month.

The U.S. Department of Agriculture issued its estimate of 1981 cattle herd growth, and it was only a 1% increase, surprising most agricultural economists, who had expected a 2% growth during last year. The combination of high interest rate money, plus generally poor prices for the producer, kept most cattle raisers from rapidly increasing their herds. However, 1981 made the third year in which herd size in the United States increased—a good harbinger for the future.

Chickens and Eggs Feel Winter Slowdown

Although today's poultry and egg producers use the latest, temperature-controlled and automated facilities to produce their products, cold weather of the sort which has swept through the Middle West and the Southeast has taken its toll in terms of production. Egg producers, who have decided that 1981's prices were not adequate, have cut back production, and in cold weather the chickens lay less. The combination has sent egg prices up as much as 12% over last year. The effect of Lent will also tend to keep egg prices high until after Easter.

Broiler producers face the same cold weather problems with production. Although production increases have been reported throughout broiler raising areas, prices have been going up on the failure of maximum hatch conditions, made worse by slower growth of the chickens during cold weather. Prices at *NRN* presstime, however, were still below last year at the same time by as much as 7% to 8%.

PRICE MOVEMENT AT A GLANCE

	Feb. 5, 1981	Jan. 5, 1982	Feb. 5, 1982
Beans, pinto, dried, Colorado (cwt)	$32.00	$17.50	$18.00
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 0.92	$ 0.94	$ 1.01
Broilers, Grade A, Icepack, NYC (lb.)	$ 0.5423	$ 0.4509	$ 0.5032
Coffee, green beans, NYC (lb.)	$ 1.23	$ 1.45	$ 1.46
Eggs, Grade A large, Chicago (doz.)	$ 0.6675	$ 0.6950-.70	$ 0.7450-.75
Lettuce, iceberg, Calif. (24s)	$ 5.00-5.50	$12.00-15.00	$ 7.00-8.00
Orange Juice, frozen concentrate (12/32)	$13.26	$19.92	$21.52
Pears, Choice canned HS (6/10)	$14.75	$14.00	$13.25-14.00
Pork loins, 14-down, Midwest (lb.)	$ 0.9450-.955	$ 0.935	$ 1.04
Tuna, Chunk light (6/66.5 oz.)	$49.50-51.50	$40.00—41.00	$39.00-40.00

Source: *NRN* Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing movement in price.

White House targets wage rules for regulatory relief examination

WASHINGTON—At industry urging, Reagan Administration regulatory reformers have launched a top-level review of restrictive Labor Department rules governing restaurant industry wage requirements.

The review was announced last month by Vice President George Bush's Task Force on Regulatory Relief. It focuses specifically on the standards used by Federal wage and hour agents to determine whether food-service industry supervisory workers must be paid overtime wage rates under the Fair Labor Standards Act.

Labor Department rules exempt "administrative" and "executive" employees earning more than $155 weekly from F.L.S.A. overtime wage requirements. Wage and Hour Division enforcement officials have concluded that only one employee in each restaurant—the chief unit manager—may qualify for this "administrative" exemption.

As a result, many food-service firms have been required to pay overtime wage rates to high-salaried assistant managers, executive chiefs and other supervisory employees who earn well above the $155 weekly cutoff point.

Although restaurant industry lobby groups have repeatedly urged the Labor Department to soften their enforcement policies concerning exemptions for food-service supervisors, Bush's announcement is the first official signal that the Reagan Administration is preparing to modify the F.L.S.A. ground rules.

In launching the new White House review of "F.L.S.A. restraints on restaurant personnel management," task force officials said that although executive and administrative workers are exempt by law from Federal overtime pay requirements, present Labor Department "regulations interpret these exemptions in ways that create unusual problems for the restaurant business."

Noting that food-service "employees frequently serve both managerial and nonmanagerial functions," the task force acknowledged that "the current regulations appear to restrict unnecessarily the managerial flexibility of restaurant owners and the training and advancement opportunities of restaurant employees."

Moreover, the White House review panel added that the department's current ground rules "establish differing criteria depending on salary for determining whether or not employees are managerial—so that employees performing exactly the same functions in the same industry can be categorized differently."

Significantly, the task force action appears to be unrelated to a separate review of the salary test requirements for

(Continued on page 114)

McDonald's registers solid gains despite nation's financial woes

By Joe Edwards

OAK BROOK, Ill.—McDonald's Corp. over the years has scored so many marketing and operations victories, and so many sales and earnings gains, that others in food service always are prompted to ask, "What will the company do for an encore?"

Released against a backdrop of a recession, soaring unemployment and continuing high inflation, McDonald's 1981 financial report offers a simple answer: make lots of money.

Though the company's ability to weather 1981's various economic storms was more pronounced in the first and second quarters of last year, totals for the 12 months show McDonald's making solid gains over the previous year.

In addition to traffic-building promotions and a rollout of new menu items, McDonald's in 1981 substantially reduced its long-term debt, financed all new store openings with internally generated cash, and increased

Fred Turner
McDonald's chairman

the number of units it owns outright to 56% of the total in its system.

Net income rose 17% in the fourth quarter to $61.2 million on a 12% revenues increase to $635.6 million. Systemwide sales in the quarter were up 10% to $1.7 billion compared to the same period a year earlier.

For the year ended Dec. 31, net income increased 20% to $264.8 million on a 14% rise in revenues to $2.5 billion. Systemwide sales for the year were up 15% to $7.1 billion.

Of the 6,739 restaurants operating worldwide at the end of the year, more than 3,700 reported annual sales of $1 million or more, up substantially from 1980 when 2,817 restaurants reached or surpassed that sales mark.

Back in 1968, Fred Turner, then president and now chief executive and chairman, instituted a policy in which McDonald's would borrow money for new store openings. The company now owns much of the real estate in its system while its competitors, for the most part, hold leases for their property which are coming up for renegotiation.

Because of its real estate shopping spree, the company saw its long-term debt skyrocket in the 1970's. At one point, the debt-to-equity ratio

(Continued on page 114)

Reagan 'hit list' zeros in on burdensome Federal rules

By Ken Rankin

WASHINGTON—Several of the most burdensome Federal rules governing small restaurant operators were included on the latest White House regulatory "hit list."

Although the bulk of the food-service industry's attention focused initially on the Reagan Administration's new review of Federal wage-hour requirements for restaurant workers (see story above), the White House regulatory relief task force announced simultaneous plans to reconsider:

- Current Child Labor Law provisions which place "illogical" restrictions on job duties of teenage food-service workers;
- Agriculture Department meat and poultry inspection exemptions which have come under fire by restaurant leaders as too restrictive;
- "Complex" Food and Drug Administration food preparation and production rules considered unnecessarily burdensome for small food suppliers.
- Cumbersome Labor and Treasury Department pension rules credited with discouraging many independent food-service operators and other small businesses from offering employee retirement programs.

Although Administration officials described the latest list of regulatory reforms as an effort to ease burdensome Federal restrictions on small business, most of the food-service-related rules selected for review by the task force create equally serious problems for many large restaurant chains.

In directing the Labor Department to review the current Federal ground rules governing child labor, the White House review group charged that "these regulations contain many illogical and unnecessary restrictions on youth employment.

"For instance," task force officials said, "the regulations prohibit teenagers from cooking hamburgers behind partitions but permit them to cook hamburgers behind lunch counters."

Regulations "such as these have little to do with worker safety and are particularly harmful to small enterprises," the Administration review board maintained.

According to food-service industry officials, many of these illogical restrictions have surfaced because the Labor Department has never issued any child labor ground rules specifically governing teenage employment in restaurants.

Although some of these restrictions are occasionally lifted—last year the department agreed to a National Restaurant Association request that pizza dough rollers be exempt from certain Federal child labor restraints—the new comprehensive review could result in sweeping changes in Federal teen employment rules for the food-service industry.

Likewise, the current U.S.D.A. meat and poultry inspection standards have been a major area of concern for many restaurant operators.

These Federal Perishable Agricultural Commodities Act (P.A.C.A.) inspection and recordkeeping requirements specifically exempt small firms as well as "specialized processors," and until 1980 U.S.D.A. did not require food-service firms to comply with these rules.

Two years ago, however, the department suddenly shifted policies and began requiring many restaurants and institutional feeders to begin purchasing P.A.C.A. licenses even though these food-service firms did not purchase any meat or poultry for resale.

Former National Restaurant Association president Robert Bradford focused the Administration's attention on this situation almost a year ago.

In a March 1981 letter to Vice President George Bush, chairman of the White House regulatory relief task force, Bradford maintained that "the cost of the licenses and . . . the unnecessary recordkeeping represent one additional unnecessary expense that adds to the cost of doing business and ultimately to the cost of meals" to restaurant patrons.

Although Bush did not specifically refer to the restaurant association's petition, he indicated that the department's P.A.C.A. inspection "exemptions need to be reviewed to determine whether they should be expanded to reflect inflation and modern methods of production and distribution."

Food-service operators who do process food for resale, as well as other small-food manufacturers, have a stake in the Administration's review.

According to the task force, these F.D.A. Good Manufacturing Practice rules "may be excessive or unnecessary for certain types of food processors, especially smaller ones with limited distribution."

The group singled out "complex coding requirements" as a restriction which "may not be necessary for a small company that distributes its products only to a limited number" of outlets.

The Federal pension regulations under review range from "burdensome" Labor Department paperwork requirements to complex Treasury Department vesting rules issued under the 1974 Employee Retirement Income Security Act.

Although this law "contains important provisions safeguarding the integrity of company pension funds, "unfortunately, it has also spawned an extremely complex regulatory system that has stifled pension growth," the task force said.

F.D.A. food safety enforcement drops sharply

WASHINGTON—Enforcement of Federal food safety laws dropped dramatically last year in the wake of Reagan Administration budget cuts, according to a new analysis of Government food recalls, seizures and court actions.

Using the Food and Drug Administration's own statistics as a basis for the analysis, the report concludes that the number of F.D.A. enforcement actions against contaminated or misbranded food products fell 40% during the Reagan Administration's first year in office.

Significantly, the study found an even steeper decline in Federal food enforcement activities last year compared with the annual average for such actions over the 1977-80 period.

During the Carter Administration, F.D.A. averaged 383 recalls, seizures and court actions involving food products annually. In 1981, the agency undertook only 203 actions against unsafe foods—a drop of 47%, according to the analysis.

The study, prepared independently of F.D.A. by consumer activists at Ralph Nader's Health Research Group, uncovered similar declines in the agency's drug and medical device enforcement programs.

"If 1981 is any indication, the Reagan Administration is well on its way to bringing back adulterated foods and unsafe or unproven drugs and medical devices as a result of its promise to get Government off the backs of industry," the report maintains.

"The very significant decrease in the total number of F.D.A. law enforcement activities—seizures, complaints for injunctions, prosecutions and recalls—during 1981 . . . bodes poorly for the health of this country even though it must please the disemburdened industries," the study concludes.

For their part, F.D.A. officials told *Nation's Restaurant News* that the agency's enforcement activities did decline during 1981, but they refused to concede the accuracy of the study's figures.

Further, a spokesman for F.D.A.'s Bureau of Foods maintained that "it does not necessarily follow that last year's reduced levels of enforcement are a result of the budget cuts."

Officials at the agency did, however, acknowledge that F.D.A. field staff has been trimmed by some 600 since the Reagan Administration took office.

In linking these staff reductions to the drop in F.D.A. enforcement actions, H.R.G. officials charged that "it is only a matter of time before the adverse health impacts of decreased enforcement of the food and drug laws become evident."

Noting that the sharp decline in F.D.A. enforcement last year was not limited to foods, the study reports that "total enforcement activities for all F.D.A.-regulated products" fell 45%, from an average of 1,041 actions annually under the Carter Administration to 577 seizures, recalls and court actions during 1981.

Product recalls alone dropped 31% last year, while F.D.A. seizures decreased by 64%, according to the analysis.

"In the case of foods, there appears to be a slight downward trend" in such enforcement activities even before the Reagan Administration took office, the study acknowledges. "However, even if it continued at its average decrease of 34 fewer per year in 1981, there still would have been over 300 actions last year as opposed to 203."

Citing the results of a recent Roper public opinion survey, the report contends that "although polls show the public wants more regulation, not less, especially for F.D.A.-regulated products, the Reagan Administration appears to be doing just the opposite."

Ironically, President Reagan had singled out F.D.A. enforcement activities as one of areas that "properly belong to the Federal Government" despite his antiregulatory philosophy.

"Although Mr. Reagan does not object to 'there being an F.D.A.,' he appears to object to its vigorous policing of the food industry," the report maintains.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Feb. 12							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio	Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	4.13	3.63	3.63	-.13	-3.33	10.63	3.50	-1.06	-1.80	-.15	16.80	.47	.04 F	9.3	20.0	4.3	7.7	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	17.00	14.75	16.63	1.75	11.76	21.88	10.00	1.09	1.39	2.26	1.05	1.67	.43 Q	31.8	35.0	6.3	9.3	.22	1.3	01-26-82	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	25.88	24.88	25.13	-.63	-2.43	37.25	23.75	.03	.17	-4.73	-11.50	4.00	-1.35 Q	-26.2	-1.0	1.5	6.6	2.00	8.0	11-24-81	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.63	5.38	5.63	.13	2.27	8.63	4.88	-.17	1.20	-3.86	-21.43	.66	.11 Q	17.1	-8.0	2.6	7.5	.12	2.1	12-08-81	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	4.13	3.38	3.50	.13	3.70	4.88	1.63	.97	-.99	2.38	-50.76	.47	.14 S	31.8	41.0	2.3	6.0	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	22.25	22.00	22.00	-.25	-1.12	22.75	16.69	.19	.13	-.84	-7.39	1.40	.09 S	6.4	26.0	8.0	14.8	.40	1.8	02-05-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1.63	1.50	1.50	.00	.00	6.88	1.13	1.63	-2.38	2.32	-38.03	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	15.00	13.75	14.50	-.38	-2.52	16.88	6.88	.32	.28	-3.87	-21.91	.44	.04 N	9.5	27.0	4.0	31.5	.10	.7	12-11-81	110.9	4.4	1.0	8.5	3	1280
Calny Food	CLNY	11.00	11.00	11.00	.00	.00	15.50	9.00	.15	.03	-6.24	87.50	1.35	-.29 N	-16.9	7.0	2.2	7.7	.20	1.8	01-28-82	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	5.38	4.88	4.88	-.63	-11.36	8.28	3.97	-.26	-.65	-2.46	-8.06	.86	.68 S	151.1	34.0	2.4	4.3	.09	1.8	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	17.13	16.00	16.00	-1.25	-7.25	22.88	13.50	-.32	-1.21	1.67	18.35	2.03	.31 F	18.0	12.0	5.0	7.9	.60	3.8	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	19.13	17.75	18.00	.00	.00	27.25	14.50	-.06	-.40	-1.52	-8.64	.46	.37 S	137.0	35.0	14.1	28.1	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	11.50	10.50	10.88	-.13	-1.14	13.88	6.50	.51	-.21	-1.96	-25.51	.66	-.13 Q	-17.8	30.0	2.7	18.1	.40	3.7	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	28.50	26.63	27.63	.13	.45	37.38	25.00	.13	-.48	3.19	-40.88	3.01	.55 N	18.7	24.0	9.9	7.9	.84	3.0	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.00	2.88	2.88	-.13	-4.17	4.00	2.50	-.27	-.70	-1.06	14.80	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	13.25	12.00	12.13	-1.25	-9.35	14.91	10.31	-.30	-.68	-2.21	2.21	1.56	.59 S	40.6	12.0	2.8	5.9	.24	2.0	12-23-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	6.50	5.50	6.25	.75	13.64	10.13	5.38	.26	.42	-.03	-26.02	-.08	.12 S	NC	NE	-1.5	52.1	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Dennys Inc	DEN	31.38	28.75	30.63	1.50	5.15	31.75	22.13	.44	-.54	.53	-38.30	2.96	1.14 S	52.0	5.0	3.2	9.2	.96	3.1	03-04-82	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	12.13	11.38	11.38	-1.00	-8.08	18.25	11.25	-.68	-.63	.71	7.34	1.82	.28 F	18.1	21.0	8.3	6.3	.30	2.6	11-06-81	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	7.88	7.50	7.50	-.63	-7.69	9.38	5.41	-.39	-.41	-3.93	-6.67	1.39	.70 S	63.0	14.0	3.0	4.1	.35	4.7	11-30-81	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	5.50	5.50	5.50	.00	.00	9.00	5.00	.04	-.05	-7.53	50.00	.27	-.15 S	-19.7	-24.0	.7	9.0	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	3.88	3.00	3.00	-1.00	-25.00	10.50	2.25	.09	-2.29	-1.51	-70.83	.44	-.20 N	-34.4	-10.0	8.6	7.9	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	39.63	36.75	37.00	-2.88	-7.21	52.25	33.25	.25	-.21	-1.06	-11.55	4.22	.22 F	5.5	34.0	18.4	8.8	1.80	4.9	03-01-82	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	26.63	25.13	25.25	-1.63	-6.05	33.25	21.50	-.10	-.76	2.53	-4.25	2.92	.69 N	23.6	28.0	7.1	7.0	.74	2.9	12-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	39.00	37.00	39.00	3.00	8.33	48.75	33.00	-.36	.01	-1.78	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	12.25	10.75	11.88	.88	7.95	15.91	7.28	-.31	-.51	-2.57	10.89	.87	.09 N	10.0	42.0	3.1	12.0	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Host Intl	HII	30.50	29.00	29.50	-.50	-1.67	30.50	12.00	.37	-.40	6.46	68.12	2.74	-1.82 N	-62.1	4.0	3.9	26.6	.60	2.0	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.75	7.25	7.25	-.38	-4.92	9.38	5.25	.12	-.67	4.47	-9.26	.92	.12 Q	14.4	43.0	3.2	7.6	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.56	1.31	1.50	.06	4.35	2.00	1.06	.75	-.77	.04	8.57	.62	-.15 S	-21.1	28.0	2.1	2.7	.16	10.7	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	12.00	10.50	10.75	-1.00	-8.51	13.25	8.50	.80	-.68	-1.79	38.68	1.72	.38 F	28.3	50.0	6.1	6.3	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	2.13	2.00	2.00	-.13	-5.88	3.38	1.88	.23	-1.24	-4.55	-25.00	-.65	.19 S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	4.88	4.63	4.63	-.63	-11.90	5.25	2.63	.91	-.31	-2.45	20.45	.63	.31 Q	81.5	-2.0	3.0	6.7	.00	.0	00-00-00	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	18.50	17.50	18.50	.88	4.96	27.63	15.63	.43	.76	-5.73	-3.47	1.70	.39 S	26.5	23.0	5.6	9.9	.12	.6	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	3.63	3.63	-.25	-6.45	4.38	3.38	-.06	-3.49	2.46	27.50	-.25	-.51 F	-196.1	-23.0	-2.9	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.50	15.25	15.25	.00	.00	16.25	10.75	.15	.02	-1.64	-20.94	.58	.77 N	NC	132.0	5.9	19.8	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.63	1.63	1.63	.00	.00	9.00	1.50	.14	-.18	-19.35	.00	-.60	-.39 N	NC	-96.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	25.50	24.50	25.25	-.25	-.98	28.25	19.00	-.19	.33	-1.58	10.89	1.45	.27 Q	21.7	23.0	9.1	16.7	.48	1.9	12-15-81	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	5.88	5.75	5.75	-.25	-4.17	7.28	5.00	.36	-.45	1.10	-65.00	1.15	.13 S	11.8	8.0	5.8	4.7	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	39.00	36.00	37.38	.88	2.40	47.00	29.75	.47	.17	1.30	6.01	2.60	.59 N	23.9	28.0	4.2	12.3	.30	.8	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	64.50	59.50	60.25	-3.38	-5.30	72.88	52.88	.13	-.77	1.24	-13.84	6.54	1.05 F	19.1	19.0	10.5	9.2	1.00	1.7	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.25	8.50	8.75	.13	1.45	13.88	8.13	.33	.03	-2.99	-.14	.95	.01 S	1.0	6.0	3.9	8.9	.32	3.7	01-04-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.88	2.50	2.88	.38	15.00	4.75	2.13	1.06	2.71	2.80	-29.86	.22	.04 F	22.2	43.0	.5	13.1	.02	.7	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.88	1.25	1.63	.13	8.33	1.88	.63	4.23	3.85	9.72	-9.27	-.87	-.41 S	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	12.25	9.00	.14	.00	-6.04	.00	1.74	.04 Q	2.5	12.0	1.3	5.7	.32	3.5	12-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	11.13	9.88	10.75	.25	2.38	11.38	6.38	.76	.85	1.16	32.95	1.01	.47 Q	77.0	25.0	5.4	10.0	.20	1.9	11-19-81	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	14.63	13.50	13.75	-.75	-5.17	19.00	12.72	-.03	.59	-3.18	-46.99	1.30	.16 S	12.8	16.0	6.1	9.8	.48	3.5	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	6.00	5.25	5.25	-.50	-8.70	11.50	5.25	-.55	-1.12	-2.72	-13.77	.59	.08 N	14.5	-2.0	1.4	8.3	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	25.00	21.25	23.25	1.25	5.68	28.25	18.00	.84	-1.75	1.67	-33.70	.58	.58 F	NC	81.0	7.2	40.1	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	13.63	12.38	12.63	-.50	-3.81	19.75	10.88	-.04	-.56	2.64	-14.76	.60	.41 N	39.4	3.0	.8	8.7	.40	3.2	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.13	5.50	5.63	-.50	-8.16	12.50	5.25	-.15	.26	1.67	28.65	.53	.70 N	184.2	33.0	4.1	5.2	.12	2.1	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.25	4.63	4.75	.13	2.70	8.25	4.00	.75	-.77	4.60	-10.04	.64	.39 N	60.0	29.0	1.6	4.6	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	22.00	18.63	20.75	1.38	7.10	23.75	9.88	.88	-.69	1.21	-21.55	2.36	1.33 S	75.5	18.0	1.4	6.7	.56	2.7	02-11-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	7.75	7.25	7.38	-.50	-6.35	17.88	6.88	.22	-.36	-4.16	-19.85	.68	.13 F	23.6	50.0	4.5	10.8	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.00	8.00	8.00	-.25	-3.03	13.00	7.00	-.34	.04	-11.44	-7.69	1.10	1.34 N	183.5	22.0	2.5	3.9	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	13.25	12.63	12.88	-.88	-6.36	15.00	11.16	-.38	.63	-.55	-38.59	1.03	.20 F	24.0	21.0	5.5	12.5	.16	1.2	12-28-81	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	10.75	10.75	10.75	.00	.00	15.00	10.00	.15	.00	1.73	61.43	2.24	.09 N	6.2	80.0	3.6	7.1	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	3.00	2.63	2.94	.31	11.90	3.13	2.31	.40	1.41	-1.55	-43.59	.06	.09 F	NE	-30.0	.5	49.0	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Valles Steak	VLE	5.63	5.50	5.50	-.25	-4.35	7.63	4.38	-.04	-.73	-2.79	-50.00	-.22	.18 S	NE	-23.0	-.9	137.5	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	9.38	8.75	8.88	-.13	-1.39	11.25	6.25	.26	-.10	-5.08	-25.32	-1.85	2.11 N	NE	-32.0	-4.3	74.0	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	7.75	7.25	7.38	.25	3.51	8.88	5.25	.04	-.35	1.65	-60.38	-.05	.43 N	NC	-2.0	-.2	17.2	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	14.63	13.75	13.75	-.50	-3.51	19.38	12.44	.17	-.87	-.88	-.80	1.34	.32 N	27.3	30.0	8.7	9.2	.28	2.0	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del F	WBB	6.88	5.75	5.75	-1.00	-14.81	13.63	5.75	-.27	-1.46	-.71	-2.09	-.49	-.81 N	-77.8	-42.0	-.9	25.0	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
'—Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Profits rise 34% at JB's Restaurants

SALT LAKE CITY—JB's Restaurants reported a 34% net profit rise to $326,000 for its first quarter ended Dec. 20, compared with the same period the previous year.

Clark D. Jones, president and ceo, attributed the results to an increase in the number of restaurants operated by the company from 62 in fiscal 1981 to 64 in fiscal 1982, an increase in menu prices, and increased customer counts.

The company opened a new restaurant in Mesa, Ariz., during the quarter and now has six restaurants under various stages of development, including The Old City Jail of Tucson, Apple Butter Farms in Salt Lake City and four other Big Boys.

In addition, three Big Boy restaurants are undergoing extensive remodeling. JB's had 64 restaurants in operation at the end of the quarter in the states of Utah, Arizona, Montana, Idaho, New Mexico, Wyoming and South Dakota.

Dr. Pepper buys Canada Dry

DALLAS—The Dr. Pepper Co. here has purchased the Canada Dry Corp. from Norton Simon Inc. for $143 million. Norton Simon retains control of the Canada Dry Bottling Co. in New York.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
ARA Services	13 wks.	1/1			$ 698.223	3	$ 13.492	– 15
Chart House	1 yr.	12/31			353.912	13	17.721	18
	3 mos.	12/31			91.207	9	5.325	16
Continental	1 yr.	12/31			1,090.000	10	(60.400)	—
	3 mos.	12/31			289.100	30	(13.400)	—
Gino's	12 mos.	12/31	$ 323.094	1			(0.962)	—
	3 mos.	12/31	76.201	– 2			(0.289)	—
Int'l Dairy Queen	1 yr.	11/30	92.663	0			5.579	18
	3 mos.	11/30	17.991	18			0.708	70
JB's	3 mos.	12/20			9.502	27	0.326	53
Marriott	1 yr.	12/31	2,000.314	16			86.136	19
	3 mos.	12/31	620.723	14			21.736	28
McDonald's	1 yr.	12/31	7,128.602	14			264.834	20
	3 mos.	12/31	1,787.220	10			61.209	17
Pamax	3 mos.	12/31			5.508	10	0.129	122
Pizza Time Theatres	1 yr.	12/27			36.219	217	2.602	2759
	3 mos.	12/27			14.031	190	1.383	1876
Victoria Station	40 wks.	1/3			97.052	– 7	1.280	**
	16 wks.	1/3			36.613	– 10	0.186	**

Source: *Company earnings reports*

—Loss in current period
**In millions*
***Loss in corresponding period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Hungry Tiger's earnings up 25% for first quarter

VAN NUYS, Calif.—Hungry Tiger Inc. posted a 25% net profit gain to $341,000 on a 14% sales increase to $12 million for the first quarter ended Nov. 20, compared to the same period a year ago.

The company attributed the sales increase primarily to the addition of new restaurants. Increased menu prices offset decreased customer traffic, management said in its 10-Q statement to the Securities and Exchange Commission.

The customer count decline was "due to the general slowdown of the economy and the lack of special promotions in fiscal 1982," the statement said.

Hungry Tiger operates 30 Hungry Tiger seafood dinnerhouses and one Breakers Seafood Company restaurant. A second Breakers is scheduled to open this month.

The company has begun a television advertising campaign to enhance Hungry Tiger's image in southern California and Arizona.

Oneida purchases Prestige's Wiggin

ONEIDA, N.Y.—Oneida has purchased the Wiggin division from The Prestige Group Ltd. of London.

The Wiggin division is comprised of three companies: Old Hall Tableware Ltd., manufacturer of stainless steel holloware and general tableware products; Bridge Crystal Glass Company Ltd., producers of hand-cut, full-lead crystal, and Wiggin Chains Ltd., manufacturers of steel chain.

Oneida Ltd. is a diversified United States-based manufacturer.

Taco Viva six-month earnings climb 54%

POMPANO BEACH, Fla.—Taco Viva reported an earnings increase of 54% to $219,000 for the six months ended Nov. 30 up from $142,000 during the similar period a year ago.

Sales were $6 million for the Mexican restaurant chain and its subsidiary, Boynton Restaurant Supply, up from $4.2 million.

Brian Foulke, president, said the chain of 32 restaurants attributes its profit improvement to tightened operational controls.

He added that the chain, which opened four new units this period, would proceed with an expansion program. "We remain committed to that plan [expansion] and are receptive to the right acquisition opportunities," he said.

Brock Hotel stock growth heads ranking

Seven food service or lodging companies ranked in the top 100 on a list of percentage increases in 1981 New York Stock Exchange prices, as compiled recently by *Money Magazine*.

Brock Hotel, Topeka, Kan., a diversified company which owns Showbiz Pizza Palaces, ranked third—topped only by two other corporations, General Steel and Dial. Saga Corp., Menlo Park, Calif., was seventh on the list; Collins Foods, Los Angeles, 34th; Prime Motor Inns, Clifton, N.J., 43rd; Gino's, King of Prussia, Pa., (slated to be acquired by Marriott), 49th; Denny's, La Mirada, Calif., 87th, and Chock Full o'Nuts, New York City.

All rankings are shown in the context of the 1,514 New York Stock Exchange companies.

1981
NEW YORK STOCK EXCHANGE COMPANY RANKINGS
(By per cent change in stock price)

Rank	Operator	HQ City	1981 Dividend % Yield	Stock Price Dec. 31, 1980	Stock Price Dec. 31, 1981	% Change
3	Brock (Showbiz Pizza)	Topeka, Kan.	0.7	6.41	14.75	+130.2
7	Saga	Menlo Park, Calif.	2.3	8.50	19.00	+123.5
34	Collins	Los Angeles	1.7	7.50	13.88	+ 85.0
43	Prime Motor Inns	Clifton, N.J.	0.6	10.38	17.75	+ 71.1
49	Gino's	King of Prussia, Pa.	2.6	10.00	16.88	+ 68.8
87	Denny's	La Mirada, Calif.	3.0	19.00	29.25	+ 53.9
89	Chock Full o'Nuts	New York City	3.8	6.88	10.50	+ 52.7
104	Wendy's	Dublin, Ohio	2.0	9.50	14.13	+ 48.7
157	Host Int'l	Santa Monica, Calif.	2.1	20.50	28.50	+ 39.0
192	McDonald's	Oak Brook, Ill.	1.5	48.75	65.38	+ 34.1
234	Ponderosa	Dayton, Ohio	2.9	10.50	13.63	+ 29.8
430	General Host	Stamford, Conn.	4.6	17.38	19.75	+ 13.7
513	Marriott	Washington, D.C.	0.8	32.75	35.88	+ 9.5
759	MGM Grand Hotels	Las Vegas	5.6	8.00	7.88	– 1.6
851	UAL	Chicago	0.0	17.50	16.50	– 5.7
901	World Airways	Oakland, Calif.	0.0	4.88	4.50	– 7.7
941	Hilton Hotels	Beverly Hills	4.7	42.25	38.00	– 10.1
1,016	ARA Services	Philadelphia	7.4	31.38	26.88	– 14.3
1,074	Delta Air Lines	Atlanta	4.1	29.50	24.50	– 16.9
1,077	Ramada Inns	Phoenix	2.0	7.38	6.13	– 16.9
1,119	Trans World	New York City	0.0	18.50	15.00	– 18.9
1,137	Eastern Airlines	Miami	0.0	7.38	5.88	– 20.3
1,309	USAir	Arlington, Va.	1.0	17.50	11.88	– 32.1
1,487	Braniff	Dallas	0.0	5.00	2.25	– 55.0

Source: *Money Magazine*

Shoney's to consolidate Famous Recipe hq.

NASHVILLE—Shoney's Inc. plans to move headquarters of Famous Recipe, a 222-unit fried chicken chain it took over last fall, from Cincinatti to Shoney's offices here March 22.

Jim Hardy, Shoney's group vice president in charge of Famous Recipe, said 15 people from Cincinatti would be using the Nashville offices either for their offices or their home base.

The remaining employees, about 15, are staying with Harold Omer, former chairman of the chain, who became a Famous Recipe franchisee in the $2.2 million transaction.

Planning Ahead

Hardy said Shoney's executives will continue until mid-May to formulate long-range plans for the new property. Shoney's sold off 22 KFC stores and agreed not to build any new company Famous Recipe stores until November under terms of the agreement.

Hoffman and Smith resign from IFMA

CHICAGO—Michael Hoffman, vice president of marketing, and Mark Smith, marketing manager, have both resigned their positions at the International Foodservice Manufacturer's Association (IFMA).

The moves are reportedly independent of each other.

Hoffman, who had his own marketing company in addition to his IFMA post, left to devote more time to his firm, according to an IFMA spokesman Smith's departure reportedly came after he received an offer from his former employer, Polyfoam Packing, and decided to rejoin that group.

No replacements for either has been named.

IFMA activities are designed to promote institutional food-service manufacturing, collect market research data, and develop and recommend improvements in food-service marketing, merchandising, distribution, sales training and management.

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NRN FOCUS

2ND TIER CHAINS

The battle for regional dominance

By Charles Forman

Among restaurant chains today there's a phenomenon that calls for closer examination: the "second-tier" or regional chain.

Second tier chains are not second in anything, except, perhaps, size.

They are the Rusty Pelikans, Chicago Brothers Pizzas, Hamburger Hamlets, Papa Gino's, Beefsteak Charlie's, Ginger Man restaurants, Lettuce Entertain You units, Brown Derby's, Win Schuler's and 200 others.

Just a list of their names helps make the point of this special focus section, that many so-called second-tier chains are doing first-rate jobs that others can learn from.

Most simply expressed, second-tier chains are those too small to find a place on the *Nation's Restaurant News* Top 100 Chain Analysis. For the most part these second-tier chains will probably do less than $100 million in systemwide sales during their current fiscal year. All will do more than $5 million.

They will in many instances be standout bottom line performers, fast growers, or be dealing with special problems with outstanding creativity.

That's why they are worth a second look.

As the nation struggles this spring to cast off bugaboos of high unemployment and interest rates, slow or no GNP growth, a fall-off in capital investment, and disappointing financial performances by major industrial sectors, problem solvers *should* be put under a microscope.

Smaller restaurant chains are almost always under the gun. To continue to exist they often have no choice but to find answers to problems the large chains can at least temporarily ignore.

Probably their biggest problem is competition from those big brothers that continue to gain in share of the United States restaurant market.

Large restaurant chains benefit from large advertising budgets that smaller groups cannot afford. They benefit from borrowing power. They benefit from a well-known name that not only draws customers but also potential franchisees.

These factors can all be seen at work when one looks at the particular second-tier chains and the kinds of chains that are succeeding today.

First, the second-tier phenomenon is in large measure a regional one. Advertising and administrative considerations are paramount here—as is catering to regional tastes.

For this reason, this special section is organized by United States Census Bureau regions. The census bureau groups states into nine geographic regions, tying together areas with at least some homogeneity.

In addition, some second-tier chains are not a single concept, cloned to numerous units, but a loose grouping of restaurants tied together by an entrepreneur's creativity and vision.

Examples are Phoenix's Big Four Restaurants, New York's Ginger Man Group, Chicago's Lettuce Entertain You and Errant Enterprises.

Second-tier chains are, finally, often only temporarily second tier—they are the giants of the future.

As chicken concepts spread, as Mexican dinnerhouses grow, as family steakhouses gain strength in the South, even while flagging in the rest of the nation, as new seafood chains commence rapid expansion, the results seem obvious.

A Bojangles, or a Golden Corral, a Chi-Chi's or a Sea Galley will be on the Top 100 Chain list by this summer or in 1983 or the year after.

Meanwhile, a "first-tier chain" that wasn't as innovative, efficient or appealing to a new generation of consumers will have fallen.

For volume reprint orders at a reduced price, contact Peter Sulich, promotion manager, Select-Info., Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (Phone 212-371-9400).

NEW ENGLAND REGION

Standout performance by New England-based chain restaurants will be tough in 1982. Growth in disposable personal income will be below the national average this year as it was in 1981.

Nevertheless, second tier concepts like Papa Gino's, Brigham's, Pewter Pot and Newport Creamery shouldn't have to despair.

High Tech Industry

The region's manufacturing firms include many high technology companies—firm's that make computers and office equipment—that are less hurt by recession than steel and auto makers.

Cold New England's worst problem is slow population growth—compared to the gains of some other areas of the country.

Pizza, ice cream and coffee shop concepts look like the region's strongest, as in past years.

Patrons demand good value; Papa Gino's leading the way

By Roman Czajkowsky

Regional dinnerhouse chains and ice cream parlors might be the traditional favorites of the New England eating-out market, but right now it's a pizza/sandwich/pasta concept that appears to have one of the strongest growth rates among "second tier" chains here.

Papa Gino's, a Needham, Mass.-based company founded 22 years ago, operates 110 units, all company-owned. That's up from 95 units in 1980; this year, an additional 20 stores are planned. In fiscal 1981, ended last September, sales were $46 million, up from the $37.4 million reported the year before.

Papa Gino's pace of expansion has been faster than that of some other established regionals, which include the Pewter Pot, a 32-unit dinnerhouse chain; Brigham's, which offers ice cream and sandwiches at its 105 locations, and another ice cream and sandwich shop concept, the 31-unit Newport Creamery.

In only three New England states a couple of years ago, Papa Gino's units are now located in every state of the region. The chain is now also making inroads into upstate New York.

What's behind the concept's apparent popularity?

Company officials ascribe it to the three "musts" New Englanders look for in chain restaurants: consistency of product quality, a comfortable atmosphere, and, above all, price value.

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NRN FOCUS

NEW ENGLAND REGION

Value-conscious market favors local chains

(Continued from page 37)

The latter has long characterized the New England eating-out market. In the words of one local chain official, the market is "extremely competitive: Price levels are substantially lower than, say, in the New York area market."

Papa Gino's pizza products, which account for 55% of the chain's total sales, range in price from $2.55 to $4.30 for a small pizza to $4.30 to $6.55 for a large one depending on the number of toppings.

About half of all units are located in malls of various sizes; the balance are in shopping and strip centers. There are also 16 freestanding stores.

About 65% of all units are located in the Boston vicinity, according to Ronald Spinazola, the chain's marketing director.

Aside from pizza, Papa Gino's also carries a line of submarine sandwiches; a line of pasta dishes such as zita, ravioli and veal parmigiana, and, where possible, wine and beer. Table service is provided at only a couple of locations.

Papa Gino's franchised, at one time, but the last franchised outlet was closed some five years ago. There are no plans to revert to franchising, according to Spinazola, primarily because the chain feels it can control product consistency better in its own stores.

One factor in favor of Papa Gino's is the relative lack of competition from national pizza chains. Pizza Hut recently sold its 10 Boston area units to a local company, Pizzeria Regina. The Pizza Huts are now being converted to that concept.

In fact, a number of national chains historically have found the going tough in the New England market.

Because of the traditionally low price levels, gross margins are generally lower than in many other areas of the country; operating costs, on the other hand, are higher than average, in part because of high energy costs. As a result, said one industry official, "it's just not that lucrative for a newcomer to enter the market."

In addition, according to that official, New England consumers "tend to have strong preferences in terms of what they're comfortable with." The upshot is that consumers here show strong chain loyalty.

Customer loyalty is particularly the case at coffee shops and ice cream parlors, the region's favorite chain concepts. Not surprisingly, none of the stronger dinnerhouse or ice cream chains are recent newcomers.

Most are also uniquely "New Englandish" in character, a further indication of customer preferences here, at least outside the immediate Boston market.

One such chain is the Pewter Pot, a 32-unit, privately held dinnerhouse concept whose signature product is muffins.

The chain, based in Burlington, Mass., was founded 17 years ago. Its units carry a colonial decor and offer a broad-based breakfast, lunch and dinner menu that occasionally includes such local favorites as baked scrod.

Of the 32 units, 14 are franchised. Systemwide sales are $13 million, an increase of 5% from last year, according to Bruce Butterworth, the company's president, who cited the past year's poor economic conditions for the relatively lackluster performance.

Wilbraham, Mass.-based Friendly's is the Pewter Pot's and similar chains' principal competitor, though Howard Johnson's and Denny's, with their national advertising clouts, compete for market share as well. The smaller chains' main strategy in competing with bigger chains has been to stress their specialty products and signature items.

Brigham's, for example, is primarily an ice cream parlor chain that also offers a line of sandwiches at most of its 105 locations.

And while Friendly's has in recent years substantially broadened its menu to get away from its ice cream parlor of old, Brigham's is not about to move away from its ice cream marketing strategy, according to Robert Nakasone, the chain's president.

"We feel that our consumer niche is ice cream, we think that we offer the best value, and that's why we'll stick to it," Nakasone said.

Founded in 1916, the chain operates exclusively in Massachusetts. About 80% of the units are franchised. A subsidiary of Chicago-based Jewel Companies, Brigham's does not disclose its performance record, though annual sales are known to be about $40 million.

At another ice cream and sandwich shop chain, Rhode-Island-based Newport Creamery, ice cream accounts for between 40%-50% of units' sales, said the chain's president, Peter Rector. The privately held company's 31 units are grossing $14 million a year, an increase of about 10% over the year before. (Two units were added over the past year.)

As do some of the other regional chains, the Newport Creamery's decor emphasizes local history.

One noted signature item is a milkshake called "Awful, awful."

NEW ENGLAND

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Connecticut				
Tombrock	fast food family rests. dinnerhouses	Stamford	205	$90
Massachusetts				
Valle's	steakhouses	Wellesley	35	70
Papa Gino's	fast food pizza	Needham	110	46
Brigham's	family rests.	Arlington	105	40
Bickford's	family rests.	Brighton	28	22
Anthony's	tablecloth	Lynn	5	20
Pewter Pot	family rests.	Burlington	32	13
For Pete's Sake	dinnerhouses	N. Arlington	7	8
Rhode Island				
Newport Creamery	family rests.	Middletown	31	14

Source: *NRN research*

Newport Creamery, with 31 units, is one of several ice cream and sandwich chains thriving in New England.

NRN FOCUS

MIDDLE ATLANTIC REGION

Chains stress lower prices to offset stagnant economy

NRN Special Report

The Middle Atlantic region contains one of the world's premier cities, New York. The city has to stand alone as a regional or second tier restaurant chain market—just as it has to stand by itself in so many other respects.

New York, in its second tier restaurant chains, seems dominated by specialty restaurants and dinnerhouses on one hand and sandwich shops on the other.

Manhattan especially appears to be a rich market for the likes of Beefsteak Charlie's, the Ginger Man Group, Riese Bros., Blimpie and others.

The rest of the region has some strengths but also many weaknesses for smaller chains. While eating place sales are projected to move ahead fairly rapidly in employment-gaining New Jersey, the rest of the region will not fare so well.

Last year, the region lost manufacturing employment and population as well as suffering a dip in disposable personal income. This year, restaurants may feel the consequences.

By Roman Czajkowsky

Menu price cutting has become the apparent trend in parts of the Middle Atlantic region, whose recent poor economic showing has sent some regional chains scrambling for new strategies to keep customer counts from becoming anemic.

But while unit sales have remained lackluster for the most part, proven concepts and customer loyalty have so far helped such regionals as Winston, Aspen Group and Red Bull weather the general economic downturn and to stay competitive with national chains.

Privately held Red Bull Inns of America, a chain of dinnerhouses operating primarily in southwestern Pennsylvania, is one company that says it had to change its pricing strategy.

The 13 Red Bulls, which resemble Steak & Ales, have a basic menu of red meats and seafood. But, the cost of meat had pushed the average per person check above $10, a sum too steep for part of this market, where unemployment has been above and disposable incomes below the national average.

To keep those consumers coming through the doors, the company has been promoting lower ticket items, including all-you-can-eat specials, according to Richard Cuneo, marketing director.

"I think what's happening is that our basic customer, especially in Pittsburgh, has probably given up a little bit on quality [in exchange] for [a lower] price," Cuneo said. In turn, he said, the chain itself has "become more price conscious."

Red Bulls are now packaging various promotions, such as steak and all-you-can-eat pasta, which sells for $7.95.

There's also talk of reducing both the portion size and price of such high ticket items as the New York strip, which sells for $12.95.

But even while some prices are being lowered, quality control remains a priority at the 18-year-old chain, Cuneo maintained. For example, the company operates its own commissary, where fresh, U.S.D.A. Choice is cut for all restaurants.

The Middle Atlantic area has not spawned any distinctly "regional" chains, such as the South's Tex-Mex concepts. But its multiethnic character is reflected in the occasional German "Octoberfest" promotions and menu specials such as Polish kielbasa.

Red Bulls operates two other concepts, one a Houlihan-type restaurant and the other a barbecued ribs place. The former, called Bradley's, emphasizes drinks and appeals to a younger crowd. The ribs restaurant is named Sawbuck Sam's.

The prototypes are apparently less sensitive to economic conditions, and if company officials have it their way, both could grow into chains.

Red Bull's sales this year are about

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MIDDLE ATLANTIC

New Jersey

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Stewart's Dog 'n Suds	family rests. fast food	Cinnaminson	220	$48
Buxton's	family rests.	Jamesburg	9	5

New York

Riese Bros.	tablecloth steakhouses	New York City	120	85
Horn & Hardart	fast food barbecue	New York City	65	70
Carrols	fast food burgers	Syracuse	80	55
Beefsteak Charlie	steakhouses	New York City	65	57
Blimpie	fast food burgers	New York City	115	45
Int'l Blimpie	fast food sandwiches	New York City	135	26
The Palm	tablecloth	New York City	9	25
Cooky's	steakhouses	Valley Stream	13	25
Chock Full o'Nuts	fast food sandwiches	New York City	40	23
Nathan's	fast food hotdogs	New York City	20	18
Maxwell's Plum	dinnerhouses	New York City	2	16
TWTF Group	tablecloth	New York City	4	11
Rosie O'Grady's	dinnerhouses	New York City	10	11
Robinex	dinnerhouses	East Rochester	12	10
Nedick's	fast food	New York City	52	10
Bun & Burger	fast food	New York City	18	9

Pennsylvania

Isaly	family rests.	Pittsburgh	140	55
Dutch Pantry	family rests.	Camp Hill	70	40
Winston	dinnerhouses	Philadelphia	20	25
Red Bull	dinnerhouses	Carnegie	15	19
Aspen Group	dinnerhouses	Allentown	10	11

Source: NRN research

New York City spawns its own special brand of local chains

Several New York-based chains have managed to post impressive sales and demonstrate strong growth potential in a region dominated by some of the world's finest restaurants and filled with eating places of every size, shape and description.

Never a fertile soil for home-grown chains, New York nevertheless has produced Beefsteak Charlie's, a 70-unit steakhouse chain with sales in excess of $90 million, and International Blimpie Corp., a 200-unit sandwich chain with sales of $50 million.

While maintaining a solid base in New York, both Beefsteak Charlie's and Blimpie have expanded to other parts of the country.

In addition, a number of entrepreneurs have earned reputations as successful merchandisers of restaurant concepts, maintaining low profiles while operating numerous restaurants with various names and themes, thereby avoiding a chain identification.

One such multiunit operator is National Restaurant Corp. (the Riese Brothers Organization), operators of a large number of moderately priced limited menu restaurants in high-traffic Manhattan locations.

Of the restaurant companies which have managed to become firmly entrenched in the region's collective consciousness, Horn & Hardart is one of the few flexing its expansion muscle. Like the Riese Brothers, though, Horn & Hardart is not a chain in the traditional sense.

Established in 1911, Horn & Hardart built its reputation on high-quality automats—cafeterias which for years were very much a part of the local restaurant scene. Only eight automats remain today, and Horn & Hardart has diversified interests.

The company, a franchisee of both Burger King and Arby's, acquired the North Carolina-based Bojangles spicy fried chicken chain late last year and plans to add more than 100 units in various markets in the next 10 months.

Shortly after the Bojangles acquisition, Horn & Hardart purchased 8% of Victoria Station stock. Horn & Hardart also owns several other restaurants, a hotel-casino in Las Vegas, and a mail-order company.

Horn & Hardart now franchisees 27 Arby's in several markets, including New York, and plans to expand those operations. It also franchises 14 Burger Kings.

Before its acquisition of Bojangles, Horn & Hardart was reported to have $30 million cash and was on the prowl for other food-service companies. Bojangles appears to be a solid choice. Founded four and one-half years ago, the chain reports average unit sales of $1.1 million, which have been rising about $150,000 annually. Expansion plans call for 50 new franchised and 55 new company-owned Bojangles restaurants by the end of this year.

When Horn & Hardart purchased 8% of Victoria Station's stock, making it the second largest stockholder in that 98-unit dinnerhouse chain,

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NRA FOCUS

MIDDLE ATLANTIC REGION

Lower prices emphasized to offset economy

(Continued from page 30)

$19.4 million, up from $19 million a year ago, according to Cuneo.

At another regional, Philadelphia-based H. A. Winston & Co., sales have shown no increase over the prior year.

Its 20 restaurants, 10 of which are franchised, are described by Jerry Spivak, the company's owner and president, as "a notch below a Houlihan's or T.G.I. Friday's," or "neighborhood" versions of the two. Together, the restaurants are grossing "in excess" of $25 million, the same as a year ago, according to Spivak.

Burgers account for about 40% of total food sales. There are also Italian, stir-fried and seafood dishes. Alcoholic beverages account for 40% of the full-service restaurants' overall sales, Spivak said.

Echoing the sentiments of other regional chain officials, Spivak said his chain's strengths lie in part in its intimate knowledge of local tastes and preferences.

Like other small regionals, H. A. Winston is more flexible than many of the far flung national chains: For example, when recent bad weather in the region threatened business, the chain instantly decided on a special promotion to keep customer counts from dropping. At a centrally managed national chain, such flexibility might be less possible, Spivak maintained.

Pennsylvania-based Dutch Pantry may be on the verge of renewed growth under its new ownership.

Another regional, Allentown, Pa.-based Aspen group, operates four of its 10 dinnerhouses in Pennsylvania. (The others are located in North Carolina.) Seven of the 10 are Oh' Brians, which feature imported Danish baby back ribs. The others are Aspen Inns, where red meat predominates.

All restaurants are company-owned and average $1.1 million in sales.

One Pennsylvania-based chain that might be heard from yet—or again, depending on one's point of view is Dutch Pantry. Its 63 family restaurants, distinguished by their rustic, Pennsylvania Dutch decor and gift shops by the entrances, were recently acquired by Harley Hotels Inc., a 30-unit lodging chain. Harley Hotels was Dutch Pantry's largest franchisee.

The chain peaked in 1977, when there were 82 stores, but its acquisition by Harley might open the way for renewed growth.

Dutch Pantry restaurants are located in Eastern and Midwestern states.

NYC spawns its own brand of local chains

(Continued from page 30)

Barry Florescue, H&H's chairman and president, denied another acquisition was in the works.

Despite Florescue's claims that the Victoria Station stock purchase was for investment purposes only, speculation of a possible acquisition continues.

The most talked-about regional chain in the New York area is the 70-unit Beefsteak Charlie's, where sales this year will close in on the $100 million mark.

Beefsteak Charlie's 10-year history is filled with high peaks and very low valleys. An outgrowth of the failed Steak & Brew chain, Beefsteak Charlie's period of rapid growth in the early 1970's was followed by a 1976-77 reorganization under the provisions of the Chapter XI bankruptcy laws.

Larry Ellman, the company's president and chairman, has put the chain back on the right track with a series of shrewd marketing ideas, enviable site selections and a series of acquisitions of failed restaurants.

In the past few years, Beefsteak Charlie's Corp. has purchased 12 Emerson units on the East Coast, eight Jack August restaurants in Connecticut and Massachusetts, and Longchamps Inc., a restaurant company and meat supplier.

Beefsteak Charlie's units are situated in New York, New Jersey, Connecticut, Massachusetts, Maryland, Florida and Pennsylvania. The company also operates The Cattleman, The Saloon and Rib Country restaurants in New York City.

Sales Up

Since Beefsteak Charlie's reorganization, it has grown steadily. Sales in 1979 were $36.8 million and jumped to $47.7 million the following year; in 1981, sales were an estimated $91.3 million.

The company's uncanny ability to bounce back from financial difficulties and to convert failed units of other chains into thriving restaurants with average unit sales of $1.4 million has attracted the attention of other chain operators around the country as well as Wall Street analysts.

Beefsteak Charlie's strengths include a popular concept, a strong cash flow and a low level of long-term debt, estimated to be less than $5 million. The company's limited menu steakhouses are clumped in several different markets, making advertising effective.

Beefsteak Charlie's units feature steak, beef specials, barbecued baby back ribs, and several chicken and seafood dishes for dinner and soups, omelets, sandwiches, burgers, and hot platters for lunch. Average per-person dinner checks are between $10 and $12.

Dinner prices at most units include unlimited shrimp and salad bar, baked potato, and a goblet of beer or wine or a free soda. Some units offer takeout service for chicken and ribs.

With its high concentration of units in certain areas, Beefsteak Charlie's has put together a series of effective television and newspaper ads stressing value and quality. Much is made in these ads of the unlimited shrimp. Print ads in New York have been pushing the barbecued baby back ribs, an item that is becoming increasingly popular in New York.

Despite the heavy emphasis on beef and seafood, two high-cost items, food and liquor costs are about 42%. Menu prices range from $6.99 for burgers to $11.99 for steaks at dinner.

International Blimpie Corp., founded in the mid-1960's, was for years operated as two separate companies with different headquarters

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Last year, International Blimpie Corp. consolidated its two operations.

NRN FOCUS

EAST NORTH CENTRAL REGION

2nd tier chains show off their creativity, sensitivity

NRN Special Report

Second tier success today in the East North Central region goes primarily to the innovative marketers, chains like Win Schulers or Brown Derby. The region's more dependent than any other on the volatile auto and steel industries. Creativity is a survival skill.

The region is also, really, two markets. Like New York in its setting in the mid-Atlantic region, Chicago has to be considered apart from its surroundings.

Chicago is a very special restaurant market. At least half a dozen small, unique chains hold sway—Lettuce Entertain You, the Levy Organization, Pizzeria Uno, Errant Enterprises, to name a few. These groups and their peers are still on the march in Chicago with a rash of new concepts opening in '82.

Outside the Windy City, family restaurants and pizza chains dominate. Their sales will probably continue to lag as 1982 unfolds.

By Diane C. Farewell

Although automobile and industrial layoffs have driven the east north central region into a severe economic slump, restaurant chains are finding that creativity and sensitivity have helped them hold their own.

The creativity shows itself among the second-tier chains in special promotions and new concepts. The sensitivity is evident in moves such as menu price changes and menu offerings.

L-K, an Ohio chain of 127 family restaurants, recently lowered its breakfast prices to draw more customers. The chain also put more daily specials on its menu. The average check for L-K is $2.30.

Win Schuler developed special promotions aimed at increasing liquor sales which reportedly have increased by 2%. This Marshall, Mich.-based chain of nine restaurants also has introduced lighter, less expensive foods to its menu.

"People still want to get out and have fun but they're cautious," Hans Schuler, president, said. He added that many restaurants are offering price reductions and because profit margins are then reduced, alternative foods that aren't high in cost are sought, such as quiche and chicken.

"You won't have as high a margin, but at least you have customers coming in," Schuler said. Customer counts for his chain, which reportedly has sales of more than $13 million annually, were off 6% to 7% last year with the dinner period being the hardest struck.

To create traffic, Win Schuler, American cuisine restaurants, is trying to maintain its moderate-priced image while stressing fun. Lighter foods were added in the hope that "maybe they'll order less expensive items one night and dinner another night." The average dinner check is $10.

The biggest seller in the dining room is prime rib followed by fresh fish. Schuler said the menu mix at the restaurant used to be 50% to 60% beef. Now it's about one-third beef. About 10% of the menu mix is lighter foods.

Menus, he added, are designed for the region they serve. "It will be different in Flint than it is in Ann Arbor," Schuler said. Doing this has helped the chain position itself in the market. "If we didn't offer variety, they would go somewhere else," he said.

Special promotions to draw people into Win Schuler's bars have also been done. The objective was to increase the chain's liquor sales and develop the bar.

To reach this goal, specialty nights during which food is offered at low prices, were started. For example, Wednesday nights are Mexican with tacos priced at $1.95 for all you can eat. On other specialty nights spaghetti with meat or clam sauce, and

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EAST NORTH CENTRAL

Illinois

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Bresler's	ice cream	Chicago	385	$45
Golden Bear	family rests.	Mt. Prospect	52	30
Levy Organization	family rests.	Chicago	10	20
Lettuce Entertain You	tablecloth	Chicago	10	17
Gaslight Club	tablecloth	Chicago	4	13
Pizzeria Uno	pizza	Chicago	14	11
Blackhawk	dinnerhouses	Chicago	5	8
Nick's Fishmarket	dinnerhouses	Chicago	3	8
Errant Entrprs.	dinnerhouses	Chicago	4	6
Sage's	tablecloth	Chicago	4	6

Indiana

Big Wheel	dinnerhouses family rests.	Highland	85	40
Noble Roman's	pizza	Bloomington	55	24
Danvers	family rests	Indianapolis	28	20

Michigan

Little Caesar's	pizza	Framington	210	51
Bill Knapp's	family rests.	Battle Creek	52	49
Chuck & Harolds	dinnerhouses	Detroit	21	—
Sylva	family rests.	Grand Blanc	110	45
C. A. Muer	dinnerhouses	Detroit	21	49
The Clock	family rests.	St. Clair Shores	45	25
Win Schuler	tablecloth	Marshall	9	13

Ohio

Brown Derby	steakhouses	Cleveland	44	89
Bob Evans	family rests.	Columbus	75	72
Rax	fast food roast beef	Columbus	200	55
LK	family rests.	Marion	127	42
Cassano's	pizza	Dayton	95	40
Kenny King's	family rests.	Cleveland	40	24
Swiss Chalet BBQ	barbecue	Columbus	25	20
Morgan's	family rests.	N. Canton	35	17
Comisar Inc.	tablecloth	Cincinnati	5	8

Source: *NRN research*

New York City gives rise to distinctive local chains

(Continued from page 45)

and territories. Last year, operations were consolidated.

About 200 Blimpie sandwich shops now operate in New York, New Jersey, Georgia, Utah, Idaho, California, Texas, Pennsylvania, Florida, North Carolina, and Washington, D.C. Sales last year were about $50 million, according to Anthony Conza, president.

Blimpie's strategy, according to Conza, is to strengthen operations in existing stores. About 15 units will open this year, all of them in established markets.

To boost its relatively low per-unit sales, Blimpie has been testing several new products, the most successful of which is chili, Conza said.

Chili is supported by point-of-purchase materials and colorful banners hanging outside Blimpie stores. The chain, which has long avoided serving hot food because its original concept did not call for cooking equipment, is also testing french fries.

Conza said the fries are heated in a convection oven, which causes problems. "The company is not totally happy with the product so far."

International Blimpie Corp. plans to concentrate on local and regional advertising efforts this year and several franchisee area advertising cooperatives have been formed. Conza sees the ads as a way of building sales and fighting off increased competition from national fast feeders in New York.

"In spite of the fact that many chains have tried specialty sandwiches, they just don't have the quality," Conza said. "And the large chains don't have as good real estate in New York. But they have the advertising. I don't want to say I'm not concerned, but I do feel we have a strong foothold [in our markets]. If we make the correct moves, and I'm talking about advertising, we should at least hold our own."

A loose grouping of restaurants has been put together by the Ginger Man Group headed by Michael and Patrick O'Neal. The O'Neal brothers operate Ginger Man restaurants in New York, Hollywood and Coconut Grove, Fla., as well as several one-shot concepts on Manhattan's west side near Lincoln Center. The restaurants average about $2 million annual sales each.

O'Neal is one of the developers of a restaurant, cabaret and theater complex in Times Square, near the Broadway theater district.

Of all New York-based chain operators, none are as active as Murray and Irving Riese, the two brothers who head the National Restaurant Corp. The Riese Brothers restaurants operate with more than 20 different names and their concepts seem to come and go with the changing seasons.

Annual sales for the Riese Brothers' some 100 restaurants are believed to be in the $85 million range.

Most of the Riese Brothers' properties are in high-traffic neighborhoods. As soon as unit sales lag, the restaurant is shut down for a change in name and concept.

"People don't understand," Murray Riese told *Nation's Restaurant News*. "It's like theater. It goes in a cycle. If the show goes bad, you don't close the theater. You change the show."

NRN FOCUS

EAST NORTH CENTRAL REGION

Creativity, sensitivity help chains fight slump

(Continued from page 46)

barbecue nights with barbecued chicken and ribs are served.

Big Wheel restaurant, a chain of dissimilar concepts, based in Highland, near Chicago, is also using happy hours and promotions like a 50¢ taco to attract people.

Big Wheel started as a chain of family restaurants 21 years ago. Six years ago, they opened their first theme restaurant called Gold Rush (there are now three), and since then they have opened two Maxwell Sweeneys, five Jeremiah Sweeneys, two Charley Horses, one Carlos Sweeney, a Snaks Fifth Avenue, a Park Avenue Spats, and there's a franchise called Wheel Works. Big Wheel is known as Red Wheel in Illinois.

The concepts at these restaurants vary from an American restaurant to a Mexican restaurant to a lighter food concept. Sandy Levinson, vice president, said the company expanded with different concepts because "in the Chicago market there are lots of suburbs and lots of areas where restaurants could do well. We didn't want to be perceived as another rubber stamp chain."

Although there are different concepts, there are similar menus. As Levinson said, "All the Sweeneys are related."

The latest Sweeney is Carlos which opened last August, in the Stratford Square mall outside Chicago. The average check here is $8.

Unlike other chains, Big Wheel has been expanding with new units. The decision to open a Mexican dinnerhouse was made after Big Wheel determined that Mexican food was well received in its other units and could be profitable because of low food costs. "We started serving Mexican foods four years ago in our other restaurants, and it has done very well," he said.

Carlos Sweeney is one of the chain's larger restaurants with 210 seats. The average is about 160.

Three of Big Wheel's concepts that aren't Sweeneys are also similar. Charley Horse, Snaks Fifth Avenue and Park Avenue Spats have lighter, less expensive menus.

Charley Horse does a big bar business. The average check here is $7.25 with light foods such as burgers and appetizers,

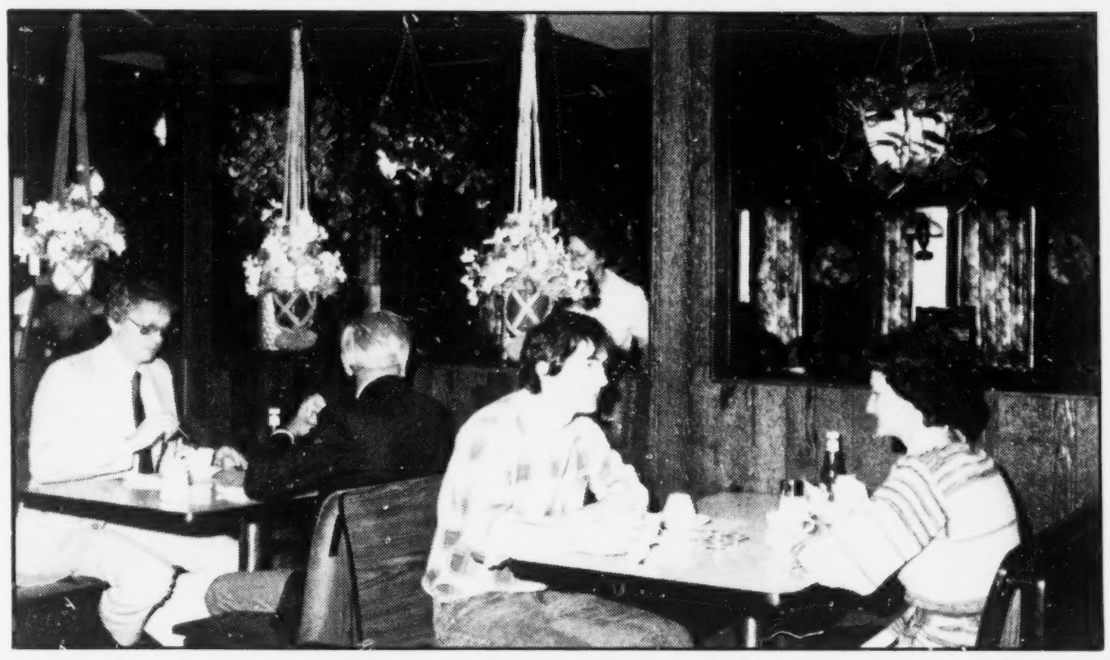
Sales volume for each Big Wheel unit is more than $1 million annually but Levinson, and other restaurateurs in the area, said the severity of the winter has set them back.

"The first weekend of January, we were closed because of the holiday. The other four weekends since we have either had blizzards, wind chills below zero or snow. We are devastated. It's the worst winter ever."

Although Levinson stresses that people won't come out in extreme weather conditions regardless of promotions, he said the chain is trying to bolster itself against economic setbacks.

"We're in the process right now of reviewing our menu. We're looking at the menu mix and putting on things like stir-fried foods. And we're experimenting with pasta although we've found the reception to pasta is mixed. We're also looking at casserole dishes."

"Our goal is to keep our food costs as low as possible" while still serving quality meats, he said. For example, the stir-fried dishes use mixed vegetables with a limited amount of high-quality steak.



L-K restaurants are located in small towns of 5,000 to 40,000 population. Typical units seat 100. Adults are the target market.

Chains also see strengthening internal communications and their ties with their community as vital to survival.

"We're spending a lot more time of training with more staff meetings, more time spent developing controls and more time in the field," Edward Hutchman, vice president of operations for L-K restaurants said.

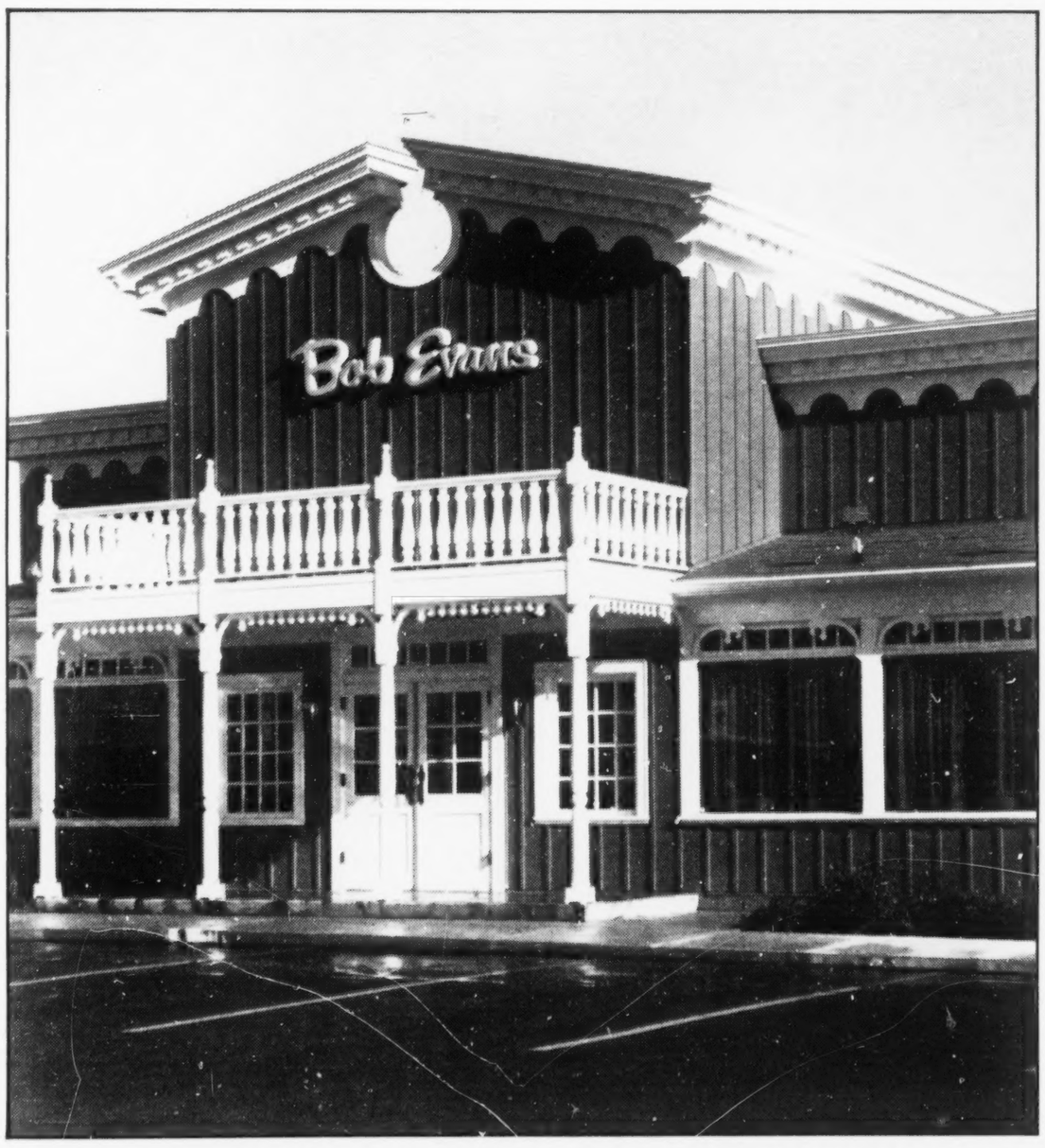
L-K also tries to link itself with its area by hiring local people and asking them to join service clubs, churchs, and become more involved in their neighborhood.

L-K, which has sales of $42 million, has restaurants located in small towns of 5,000 to 40,000 population and a typical restaurant has 100 seats. Adults are their target market and their menu best-seller is perch.

At present, L-K is remodeling one of their units in Marion, Ohio, their headquarters. This unit will have a new menu concept that is eight pages long and includes steaks, seafood and a salad bar. The average check is about $6.

All in all, the chains contacted were extremely conservative and cautious with menu prices. "We selectively lowered prices and raised other prices to cover costs," Hutchman said of L-K.

Restaurateurs also felt there was a need to be flexible. "You have to look at new ideas. Who'd ever thought we'd have a wet burrito on our lunch menu? You have to be adventuresome," Schuler said, adding, "You have to listen to what the customers want," and respond.



Bob Evans Farms wholesome, country image has paid off well for the chain, which is one of the strongest in the East North Central Region.

Bob Evans Farms capitalizes on wholesome country image

COLUMBUS, Ohio—Bob Evans Farms, one of the strongest chains in the east north central region is run by a bunch of slick businessmen in "farm folks" clothing.

"We are all honest farm boys who always get a good night's sleep," Keith P. Bradbury, vice president, treasurer and chief financial officer, once told a reporter. With 77 restaurants in the Midwest and a system sales volume in the last fiscal years of $72 million (up from $58 million the year before) it's not surprising they sleep well.

The 34-year-old sausage-maker and restaurant operator has built its entire image around wholesome country living. The restaurants are decorated with gingham curtains, white gingerbread and bright red colors. And the menu concentrates on country-style cooking with items such as barbecued ribs, smoked sausage, fried mush and country ham. The average check is $5.50.

Dan Evans, chairman and chief executive, believes the company's image has helped it during the tough economic conditions that have hurt their competitors. Evans said customers equate Bob Evans restaurants with high value and enjoy the atmosphere of simplicity and honesty.

Evans doesn't see this image of wholesome food at moderate prices as limiting the chain to a Midwest market. The company will open two new restaurants this year. People from all parts of the country, Evans said, enjoy the country image.

And he's apparently right. Bob Evans Farms, all of which are company-owned, have had an unusually strong showing in the family restaurants/coffee shop segment. Average unit sales of the chain are $1.2 million annually whereas others in the segment such as Denny's, Perkins, and Shoney's are all below the $1 million mark.

The company's sausage business is key to the success of the chain. When founder Bob Evans opened a 12-stool truck stop in 1946, his home-made sausage became a hit and before long he was selling sausage in containers to go.

This venture was followed by a sausage plant (there are now four) and distribution to local food outlets.

(Continued on page 53)

NRN FOCUS

EAST NORTH CENTRAL REGION

Chicago entrepreneurs' concepts cover many diverse market segments

CHICAGO—Entrepreneurs here have developed a series of diverse chain concepts aimed at touching every segment of the market.

The Levy Organization, headed by Mark and Larry Levy, operates 10 restaurants, five of which are in Water Tower Place on North Michigan Avenue.

Arnie Morton has five restaurants and Richard Melman (Lettuce Entertain You) owns eight. Three other restaurateurs operating four restaurants each, are Jim Errant, founder of the Chicago Claim Company; Eugene Sage, with Sage's, Sage's Sage, Eugene's and Arley's, and Don Roth, head of the Blackhawk chain.

Other restaurateurs moving in this direction include George Badonsky, Gordon Sinclair, Bob Nyman and Stuart Johnson.

The restaurant styles range from white tablecloth to fast food. Mark Levy's empire, for example, includes a Mexican restaurant, a delicatessan, a fast-food outlet and a seafood house.

Explaining the diversification of concepts within his chain, Levy said the restaurants were built based on "the needs of the public."

"With five restaurants in one building we couldn't very well go with one concept. So we tried to identify needs," he continued.

The first restaurant, 300-seat D. B. Kaplan's Delicatessan opened in 1976. Levy said he then saw a need for a bar on North Michigan Avenue. "The area needed a real drinking establishment," he said. Thus, Hillary's: a Chicago Bar which seats 135 in the dining room and 85 at the bar.

The next restaurant was conceived after Levy noticed a gap in the fast-food market at Water Tower Place. "There was only one fast-food place [a hamburger chain]. We thought people would like more variety and started Eaternity," he said. This concept is a cafeteria that seats 150.

Chestnut Street Grill, a seafood restaurant, was next. The grill specializes in fresh seafood grilled over Mexican mesquite coals.

Dos Hermanos, a Mexican restaurant, opened last May on the sixth floor. This restaurant seats 100 and offers Americanized Mexican cuisine.

In total, Levy restaurants occupy 30,000 sq. ft. in Water Tower Place. Sales for the group are in excess of $20 million including ventures outside Water Tower.

Concentrating the restaurants in a small area had advantages, Levy said, and offered the group the chance to expand a successful concept outside the mall area. For example, there are D. B. Kaplan's in other cities and a Hillary's in a Chicago suburb. It also helped combine the best elements of existing restaurants to create a new concept.

City Tavern on Chicago's Loop is such a venture. "It's one step up from Hillary's and has a menu made up of entrees from our other restaurants," Levy said.

Another chain with restaurants as diverse in concept as Levy's is Lettuce Entertain You, headed by Richard Melman. From moderately priced restaurants such as R. J. Grunt's, the Great Gritzbe's Flying Food Show, Jonathan's Seafood, Lawrence of Oregano, Fritz That's It and Bones to upscale restaurants like Ambria in the Belden Stratford hotel and the Pump Room at the Ambassador East hotel, the Lettuce Entertain You group operates them all.

Not all Chicago restaurants diversify concepts as much. Jim Errant, for example, has built his $6.5 million enterprise with restaurants with similar but not identical menus. Errant varies his menus according to customer preferences in each market area, paying close attention to what the neighborhood wants.

"Chicago is a very complicated restaurant city. Our customers are probably the most difficult to please. They are demanding in service and in product," he said.

Conventional chains didn't make a mark in the city until about five years ago, Errant said, adding that Chicago is still very much "dominated by independent restaurants and individual concepts."

"When I opened the second Chicago Claim Company, I almost felt like I was copping out by not doing something different. I decided though that I wanted to stick to one concept and do that one thing as well as I could," Errant said.

The Chicago Claim Company restaurants have a western motif that varies from restaurant to restaurant. But even Errant broke the Chicago Claim Company mold with Jasands, a restaurant set in the elegant surroundings of an old mansion with ornate ceilings, oak staircases and round fish tanks.

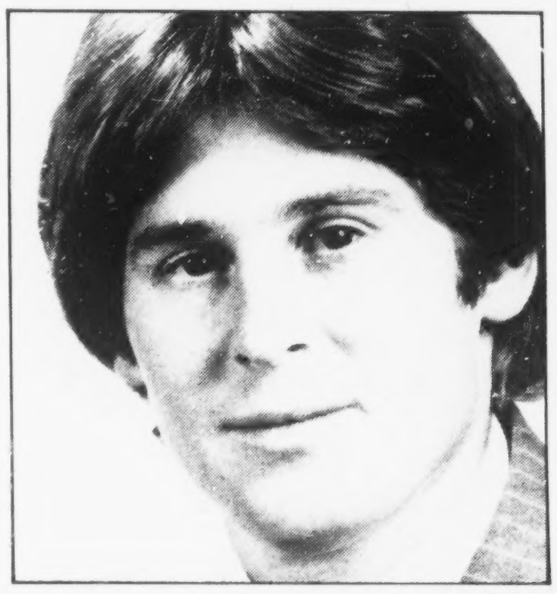
The menus are also similar at Don Roth's Blackhawk restaurant chain. With four restaurants in various parts of the city and suburbs, Roth offers diners menu choices such as bay scallops, King Crab legs, fresh Boston scrod, barbecued ribs and sirloin steaks.

The Blackhawk chain was founded in 1920, by Roth's father and Roth joined the business when his father took ill and has expanded it since.

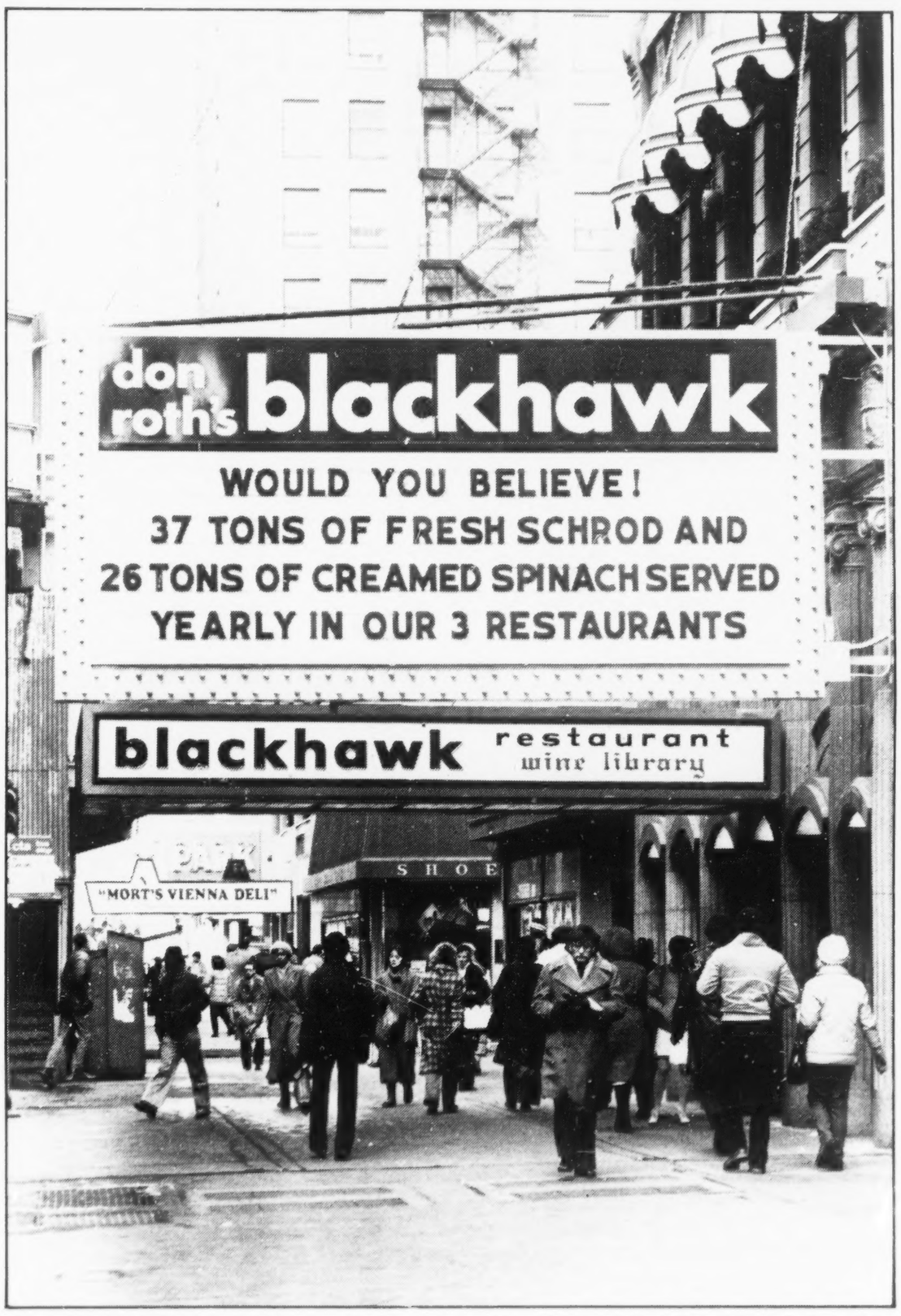
Arnie Morton, like Roth, was also the son of a restaurateur. His father owned Morton's on the city's South Side. Morton also owns Arnie's, Arnie's North and Zorine's and oversees the food and beverage operation as a health complex. The restaurants differ in concept but all have an upbeat atmosphere and look. Arnie's, Morton's and Zorine's are in the same building at 1050 North State St.

As Morton gears his restaurants to Chicago's high rollers and tourists Gene Sage, another entrepreneur, sees the market for his latest restaurant as businessmen.

Sage's Sage is located in a thriving business and residential community. The restaurant is aimed at businesspeople and in one room there are telephones at every table and copies of the Wall Street Journal available.



Jim Errant has built a $6.5 million enterprise in Chicago.



Don Roth's Blackhawk restaurant chain was founded in 1920 by Roth's father. There are four restaurants in various parts of the city and suburbs.

Bob Evans Farms maintains image for wholesome country food

(Continued from page 48)

In 1968 the company started a restaurant subsidiary, opened restaurants and has expanded gradually by first going into a new area with extensive sausage, advertising, and about a year later opening a new Bob Evans restaurant.

"When we open the restaurants," Evans once said, "we more or less ride in for free."

The sausage, which is produced in 16 varieties, appears on the restaurant's breakfast, lunch and dinner menus. Evans said the sausage is so popular it is one of the best sellers at dinnertime.

The sausage company and the restaurants are complementary concepts, according to executives who have said the sausage company is a cash generator and the restaurants are cash users. And the growth potential of the chain is hailed by analysts as "tremendous."

The "farm boys" running the highly successful chain say they will continue to expand at their rate and expressed dismay at the financial community's pressures for fast growth. Evans said the tradition of the chain has been and will be restrained growth and disciplined operations.

NRN FOCUS

WEST NORTH CENTRAL REGION

Hot concepts with capital are thriving

St. Louis-based Casa Gallardo is the most profitable concept in the $700 million General Mills Restaurant Group.

NRN Special Report

A host of small fast-food chains make their homes in the plains states of the West North Central region. So, too, do many family restaurants. But the news is certainly of hot concepts: Casa Gallardo is one, Show Biz Pizza another.

Not only do these two represent something that's happening in this heartland region, they also exemplify the video game entertainment and Mexican dinnerhouse trends that are among the strongest fashions influencing the restaurant industry today.

Meanwhile, the region's economy is experiencing healthy growth which should spill over into restaurant sales for these concepts and others.

Though agriculture dominates the West North Central States, big growth this year is expected in mining, defense and service industries.

By Rick Telberg

It takes a startling concept, smooth management and ample financing to develop a chain that can pry cash from recession-weary diners in the West North Central region.

While independent multiunit operators are battling for their lives against the weighty competition of national chains, two key second-tier chains—ShowBiz Pizza Place and Casa Gallardo—are planning to double in size before the year is out.

Both are relying on the professional management and ample financial reserves of their parent corporations to bloom in the Midwest and Southeast.

St. Louis-based Casa Gallardo, a 12-unit Mexican dinnerhouse chain, has been part of the General Mills Restaurant Group since 1979. The Restaurant Group, an Orlando-based holding of the Minneapolis conglomerate, reported $700 million in sales for its 450 restaurants, including the 300-unit Red Lobster seafood dinnerhouse chain, in the fiscal year ended in May 1981.

Shortly after buying Casa Gallardo from its founder, Ramon Gallardo, who remains as president, General Mills built 11 new restaurants in 15 months. With 12 units now, 15 to 20 new ones are planned per year in the Midwest and Southeast.

On a per unit basis, Casa Gallardo is General Mills' most profitable concept. Average annual per unit sales are said to be about $2 million. The profit margin is supported by low food costs, about 25% to 30% of sales, and high alcoholic beverage sales, about 35% of total sales.

The concept easily attracts the prime spending clientele—adult couples, aged 18 to 45.

Casa Gallardo faces competition in the Mexican dinnerhouse segment which is one of the hottest in food service at this time, from a host of contenders, including Acapulco y Los Arcos, which went public last year, GuadalaHarry's, a General Foods holding, Cisco's, a nascent Chart House project, and Chi-Chi's, which more than doubled its size last year to 32 units.

ShowBiz Pizza, the 46-unit chain based on the premise that pinballs and pizza go well together, went a step further, helping found the trend to video game rooms. More than half of a typical ShowBiz Pizza Place's profits come from video games.

ShowBiz Pizza is a subsidiary of the Brock Hotel Corp., a major Holiday Inn franchisee based in Topeka, Kan. Brock reported $111 million in revenues for 1980. The company plans to move to Dallas to better administer its far-flung operations.

ShowBiz Pizza is staking its name on attracting families. While parents relax in a giant-screen television lounge, their youngsters pop quarter after quarter into video games in another room. Meanwhile, they all eat and are entertained by a Disney-like robot stage show and strolling workers dressed like mascots at a football game.

ShowBiz executives hope to see 65 to 70 new company units and 15 to 30 new franchised units built during this year, which averages to a new store opening once every four days. In 1983, executives hope to see franchising take over as the main growth vehicle with 140 franchised units opening and 70 company units opening.

Each unit averages between $1.5 million and $2 million a year in revenues. Food and beverages account for about 68% of sales, games 29%; the remainder comes from merchandise and souvenir sales.

Even with a full-time technician to monitor the games and robots, labor costs run about 25% of sales. Fully 70% of the games revenues fall straight to the bottom line.

ShowBiz Pizza is facing competition from Pizza Time Theater, with which it is involved in litigation over rights to the concept, Bally's Tom Foolery, a unit of the game machine manufacturer, and Straw Hat Pizza, a unit of Saga Corp.

WEST NORTH CENTRAL

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Iowa				
Happy Joe's	pizza fast food	Bettendorf	140	$64
Dairy Sweet	fast food	Story City	109	8
Kansas				
Taco Tico	tacos fast food	Wichita	159	40
Showbiz Pizza	pizza fast food	Topeka	46	33
Minnesota				
Golden Skillet	fast food chicken	Minneapolis	140	60
Carousel Snack Bar	fast food sandwiches	Minneapolis	275	35
Embers	family rests.	St. Paul	28	19
Bridgeman Creameries	family rests.	Minneapolis	55	20
Boston Sea Party	dinnerhouses	Minneapolis	15	17
Missouri				
Forum	cafeterias	Kansas City	30	21
Putsch's	cafeterias	Kansas City	15	16
Casa Gallardo	Mexican dinnerhouses	St. Louis	12	13
Pope's	cafeterias	St. Louis	6	8

Source: NRN research

NRN FOCUS

SOUTH ATLANTIC REGION

Fried chicken chains eye large market share

NRN Special Report

In the South Atlantic region second tier chains are making a lot of news.

The chicken concepts like Golden Skillet appear as hot and tasty to investors as to consumers.

Meanwhile family steak restaurants like Golden Corral are serving up better results here than in most of the rest of the country.

The region itself is growing rapidly. Gains in disposable income this year will be high—10.8% for the whole region; 13.4% for Florida alone.

Gains in both manufacturing and nonmanufacturing employment are expected for the region as business will continue to be attracted by competitive wage rates, energy costs, transportation availability, tax breaks and population growth.

By Rick Telberg

Fast-food fried chicken chains in the South Atlantic region are racing to grab a share of the market that is projected in coming years for some of the strongest growth in the United States.

With their eyes fixed on the nationwide KFC and Church's chains, firms such as Bojangles and Mrs. Winner's are carving out a niche with a regional favorite—biscuits.

Meanwhile, Golden Skillet and Famous Recipe, both long-dormant, family-controlled chains, were taken over recently by publicly owned corporations which after a fact-finding period should provide even more of a horse race in the South Atlantic.

Chick-fil-A, the strictly mall-oriented white meat chain, and Chicken George, which burst onto the scene recently with high-volume urban stores, are also contending for unique, if demographically opposed, market segments.

Among dinnerhouses, Golden Corral, Quincey's and Darryl's are all expanding at breakneck speed. Tony Roma's, based in Miami, now has outposts in diverse parts of the nation. Detroit-based C. A. Muer Corp. has 21 Chuck & Harold's restaurants, many in Florida. In Atlanta, restaurant groups such as Peasant and G.R.O. are catering to the sophisticated tastes of city dwellers. By all indications, the South Atlantic looks like a good place to do business.

Falling by the wayside are the under-capitalized, independent, multiunit operators who lack the weighty resources of wealthy parent corporations or private bankrollers. These stagnating operations have been unable to adjust their concepts and operations to the new, proud Southern civility.

The fastest growing of the new chicken-and-biscuit chains is Bojangles, which is based in Charlotte, N.C.

Horn & Hardart, the ex-automat operator cum Burger King and Arby's franchisee in New York, bought Bojangles from founder Jack Fulk, a former Hardee's franchisee, last year. This year, Horn & Hardart moved to buy the Judy's chain, based in Nashville, which will add, in one move, 15 units to the 52-unit Bojangles chain. The two deals, accomplished in less than six months, cost Horn & Hardart, which also runs a mail-order house and a hotel-casino, almost $15 million.

Bojangles plans to double the size of the chain this year, building units at a cost of $600,000 each. Average per unit volume for the chain is approximately $1.1 million annually.

Building units at half the cost, with the same menu, is the Mrs. Winner's chain, with 49 units in the Atlanta market. Mrs. Winner's was developed by Nashville-based Volunteer Capital Corp., which was founded by Jack Massey, a former KFC owner and founder of the giant Hospital Corp. of America.

Volunteer Capital is Wendy's largest franchisee but sees in Mrs. Winner's a chance to become a franchisor in its own right. After a year of marketing, Volunteer has sold two territorial franchises—the first, for 17 units in seven years, to ex-Wendy's officials in Columbus, Ohio, and the second, for 15 units in five years, to a Hardee's franchisee in eastern Tennessee.

Volunteer Capital, with M. V. "Buck" Hussung as president, plans on developing two new franchised stores per month after April. In 1983, 25-30 new franchised stores are planned.

Typical Mrs. Winner's are half the size—so half the construction cost—of Bojangles. They also garner half the sales of a Bojangles, but Volunteer has rolled out plans for a larger, 100-seat unit that they say will boost sales to $1 million per unit annually.

Franchisees in the Golden Skillet and Famous Recipe chains greeted the news of their chains' takeovers with exuberance. "Don't get in our way, we're going to go like gangbusters," said a Famous Recipe franchisee, but it might as well have been a Golden Skillet franchisee.

The 140-United States-unit Golden Skillet chain was taken over by International Dairy Queen late last year and its headquarters promptly moved from Richmond, to Dairy Queen's

(Continued on page 76)

Bojangles is one of several Southern chains which is holding up well against competition from nationwide firms.

SOUTH ATLANTIC

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Florida				
Wuv's	fast food burgers	Fort Lauderdale	130	$60
Benihana	dinnerhouses	Miami	48	60
Tony Roma's	dinnerhouses	Miami	25	50
Hardwick	tablecloth	Miami	15	28
Black Angus Systems	family rests.	N. Miami	10	19
Hot Sam	fast food sandwiches	Tampa	150	17
New England Oyster House	dinnerhouse	Dania	17	13
Georgia				
Waffle House	family rests.	Tucker	422	114
Chick-fil-a	fast food chicken	Hapeville	237	110
Davis Bros.	cafeterias	Atlanta	35	25
Huddle House	family rests.	Decatur	85	18
Peasant Inc.	tablecloth	Atlanta	8	14
Tater Junction	fast food (potato)	Marietta	42	12
G.R.O.	dinnerhouses	Atlanta	6	9
North Carolina				
Golden Corral	steakhouses	Raleigh	185	108
Krispy Kreme	fast food doughnuts	Winston-Salem	140	45
Bojangles	fast food chicken & biscuits	Charlotte	52	40
Darryl's	dinnerhouses	Raleigh	17	30
High's Ice Cream	family rests.	Winston-Salem	40	12
Canton Station	dinnerhouses	Rocky Mount	6	5
South Carolina				
Quincy's	steakhouses	Spartanburg	100	71
Virginia				
Dankos	family rests.	Richmond	8	9
Maryland				
White Coffee Pot	family rests.	Baltimore	44	25
Chicken George	fast food chicken	Baltimore	8	14
Pappy's	family rests.	Towson	28	13

Source: *NRN research*

NRN FOCUS

EAST SOUTH CENTRAL REGION

Regional concepts work for Southern chains

NRN Special Report

Southern hospitality is evident in the East South Central region and to some extent may be a driving force behind second-tier chains of the area.

Free iced tea refills at Mr. Gatti's, "dress-it-yourself" sandwiches at Danver's, and other evidences of a hospitality mentality are present in all the restaurants of the region.

The outlook in this area for the last three quarters of 1982 is good. The National Restaurant Association predicts eating place sales for the year of $4.5 billion, a 10.7% jump from last year.

A number of new jobs in non-manufacturing areas is expected to provide a strong boost to disposable personal income.

The area's one possible general economic problem is its vulnerability to downturns in important cyclically sensitive industries—textiles, apparel, housing.

By Donald Frazier

While national food-service companies and their well-proven concepts continue to invade new markets in this part of the country, a few smaller chains based here are holding out against the newcomers.

Some of them—Jack's, Danvers and Southern Hospitality—have outflanked the well-financed competition from the North with uniquely Southern concepts and a loyal group of customers.

Other's, such as Mr. Gatti's and Chi-Chi's, introduced this region to the Mexican and Italian food trends, and are now taking on national competition in other markets.

One of them—Truckstops of America—finds its nationwide business insulates it against the fluctuations between various regions' business climates.

A proven concept and access to national capital markets have allowed these and other lucky operators to avoid the fate of the region's several small chains which have fallen by the wayside in recent years.

The Birmingham, Ala.-based Omelet Shoppes, for example, had declared bankruptcy and was on the verge of liquidation. But the company was saved by an infusion of corporate capital from outside and a return to original concept of fast countertop service and high perceived value for low prices (see sidebar).

Future Bright

The diversity of the area's economy also helps many operators hold onto their traditional customer base. Unlike that of the hard-pressed Great Lakes region, this area's payroll does not depend on a few massive-but-struggling industries in older cities. The economy here is widely spread between heavy and light industry in centers such as Birmingham, the white-collar service sector in distribution hubs such as Nashville, high-tech research in Huntsville, Ala., and Oak Ridge, Tenn., and agriculture everyplace else.

When one sector falters, others take up the slack. People don't stay out of work very long. They keep their buying power.

"There's no doubt about it," declares Wayne Oldham, "Times *are* bad." As president of Southern Hospitality, the Nashville-based diversified restaurant company, he is both an independent restaurateur and a major franchisee for both Wendy's and Mr. Gatti's regional chain of pizzerias. For him, the silver lining of the current economic malaise is that so many independent restaurants are closing that he feels less competition every day.

His 21 Wendy's units throughout central Tennessee now take in more than $15,000 a week and sales for his 12 Mr. Gatti's units have now topped $10,500 a week, both figures apparently higher than national averages for these chains. But Oldham places much of his hope for future development in larger single-unit concepts, such as his 11,000-sq.-ft. Fishery in Nashville, which took in about $2.5 million during 1981; and his new casual-theme establishment in Nashville, Tempos, also expected to achieve a volume of $2.5 million during its first full year of operation.

Intensive training of managers, he feels is even more important in days of economic decline than ever before. The new importance of return on investment has made the manager's job more complex, he says, but adds that more operators who are looking to cut costs curtail training first.

He also pays his managers "above the market" to retain their expertise in an economic climate where many seasoned managers must move out of the industry to increase their income.

This approach to hard economic times—to continue to invest, despite the economy—has given Southern Hospitality an increase in sales adjusted for price increases of 10% to $33 million during the last year.

Another Birmingham-based group, Jack's Food Systems, withstood both the recent onslaught of national competition and their city's current 11% unemployment rate to increase sales 16% to $35.1 million last year.

The Jack's fast-food units, including 18 franchised operations are moving into the breakfast hours, where a biscuit-oriented menu and its average ticket of $1.35 already accounts for 18% of sales.

Most of its lunch and dinner business continues to be hamburgers, although fried chicken sales constitute an increasing share of the dinner market, now about 20%. The check averages for lunch and dinner are holding steady at about $3 per person.

The company owes its present sound position to last year's halt of expansion, aggressive marketing of its name among old-time customers and markets, and its ability to finance capital improvement, its

(Continued on page 63)

EAST SOUTH CENTRAL

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Alabama				
Pasquale	fast food pizza	Birmingham	265	$45
Omelette Shoppes	family rests.	Birmingham	103	35
Jack's	fast food burgers	Birmingham	74	25
Kentucky				
Mr. Gatti's	fast food pizza	Louisville	245	90
Chi-Chi's	dinnerhouses	Louisville	47	30
Mississippi				
Coleman	fast food	Coldwater	125	26
Tennessee				
Volunteer Capital	fast food chicken, burgers	Brentwood	144	75
Southern Hospitality	fast food family rests.	Nashville	38	30
Truckstops of America	family rests.	Nashville	33	26
Danvers	fast food burgers	Memphis	44	19

Source: *NRN research*

Omelet Shoppe's revival based on return to basics

BIRMINGHAM, Ala.—With a Chapter XI petition in bankruptcy court, outstanding debts of over $1 million and a franchisee system in open revolt, things were not looking good for Omelet Shoppe a year ago.

The 103-unit chain, one of the first successful regional franchisors in the South, was headed toward liquidation court. One by one, its disgruntled franchisees were taking down its name from their stores. Its future: oblivion.

But the year-long hemorrhage has stopped for Omelet Shoppe. Its new repayment plan has been approved by a vast majority of its creditors. And during January and December, the restaurants actually made a profit on a cash-flow basis.

What happened?

According to John Whittington, the trustee appointed by the court to oversee Omelet Shoppe's finances in the wake of its bankruptcy proceedings, many things contributed to the apparent resuscitation of the company.

Taken together, they provide an example of how a new, hard-nosed management team, an infusion of capital, careful cost-cutting—plus a return to the fundamentals of a concept's appeal—can take a terminal case off the operating table and nurse it back to life.

The reasons the chain started to fall apart in the late 1970's are cause for debate, but most agree on one thing: management lost sight of the restaurant's position in the market. Originally involving a limited menu of simple-but-good food quickly prepared in clean stores, for low prices, the Omelet Shoppe concept appealed to the homespun, value-conscious side of this essentially rural part of the country.

But in the late 1970's, spurred by the economic vitality of the 'New South,' management gussied up the Omelet Shoppe concept. The menu was broadened to include items foreign to the original concept, such as fried chicken and steaks. Meanwhile, Whittington said, they apparently lost control of quality, sanitation and costs.

The boom fell in February 1980, when the company filed a voluntary Chapter XI petition for the reorganization of its debts. Under the court's feeling that the company could best handle its own affairs, it was deemed a "debtor in possession," and lost almost $1 million by November. During this time, one of

(Continued on page 63)

NRA FOCUS

EAST SOUTH CENTRAL REGION

Success tied to proven concepts, diverse economy, access to capital

(Continued from page 58)

president says.

Don Ghareeb stressed the importance of smaller chains having long-time personal connections with their bankers to give their companies an edge in the competition for funds.

After a recent 'shakeout' period when the system closed five or six unprofitable units a year, it is now back on the expansion path. Twelve new units were added last year; 12 more are planned for this year.

Access to financing for capital improvement and expansion is also very important for Mr. Gatti's, a pizza-and-pasta chain based in Louisville, Ky., but operating in Texas, Louisiana, Oklahoma, Mississippi and Florida.

A spokesman for the 245-unit company, conceding that a regional chain such as Mr. Gatti's probably could not secure adequate financing on its own in today's tough money market, reports that its parent company, the LDB Corporation, has established a $7 million credit line for the chain's use.

This allowed the company to add 45 units during the last year, increase its total sales 23% to $91.7 million and plan 60 new units—including 10 company stores—for the next year.

The high perceived value of an Italian-type menu in most of Mr. Gatti's markets, the absence of indigenous competition and the marketing blunders of the national chains allowed the chain to pass along its price increases last year and still increase customer counts, the spokesman says.

Another ethnic chain based here has already entered the national market and is taking on several of its leaders in head-to-head competition. That company is the Louisville-based mystery chain of the Mexican dinnerhouse segment, Chi-Chi's.

Although the company wants to cloak itself in secrecy, few industry insiders have failed to notice its phenomenal growth over the last few years. It now numbers 48 units, in locations as diverse as suburban Dallas, the rural fringe of Cincinnati and even the trendy and urbane Harvard Square area of Cambridge, Mass.

Chi-Chi's doubled its size in the last year, according to sources inside the company. This growth is split evenly between company stores and franchised ones. The chain is thus apparently the first member of the burgeoning Mexican dinnerhouse segment to realize the concept's well-publicized potential for franchising in a significant way.

Other sources inside the company claim more than 18 Chi-Chi's will be built during the next year.

Their success apparently results from the same factors that have led to the concept's explosive growth in the last few years. Low food costs of about 27%, a large seating capacity of about 270, a fast turnover time of about an hour and—most importantly—the high perceived value of a heaping plateful of food for a moderate price have given the average Chi-Chi's annual sales of about $2 million and a growth rate of about 15%.

But Chi-Chi's is different from its competitors such as Casa Gallardo and El Torito. Its bright, open floor plan lends the restaurants more to a family trade than for the vaguely single-oriented high liquor percentage crowd desired by the other concepts. Its menu is even blander than that of the usual Midwestern-ized Mexican-style restaurant and its unit management style is unusually brisk.

Don Ghareeb
Jack's president

These factors, plus president Shelly Frank's many years of experience in the industry, may explain why the Chi-Chi's restaurants successfully snare a portion of the dining public's ever-shrinking disposable income, even in economically declining areas such as the Midwest.

"It's value-consciousness," one Chi-Chi's manager explains. "Once the kitchen gets the formula down, there's really nothing to making the food—no effort, no waste. The ingredients are all cheap. But all the customer sees is a heaping plate of food which he perceives as something really special."

Truckstops of America, although based in the region's transportation hub, Nashville, is really a national company with 28 truckstops spread across the country's interstate highway system. The chain's average per unit sales was $1.2 million last year, a figure that does not reflect the company's great diversity of size in units.

Despite its far-flung nature, the homogeneity of much transcontinental truck traffic allows Truckstops of America to orient its marketing efforts to its customers with precision. Some units experience a relatively strong local trade, but most see the same customers all the time, all over the country.

'Times *are* bad,' says Wayne Oldham, president, Southern Hospitality.

The company, reports marketing executive John Cicatelli, is now in the midst of a major revamping of its image and appeal. The goal of this campaign is apparently to make the restaurants a major "draw" to truckers and thus enhance the company's $300-million-plus sales of diesel fuel.

Cicatelli says the company hopes this upgrading of its facilities will help it increase food-service sales 17% from last year's figure of about $23 million.

New management steers Omelet Shoppe back to basics

(Continued from page 58)

Omelet Shoppes' banks called in a $1.3 million note.

In the ensuing power struggle among the company's officers, president Billy Bob Ingram was forced out. Eventually the rest of management jumped ship, too. More creditors petitioned the court for repayment, leading to the appointment of a trustee.

"At the time I was appointed," Whittington recalled, "the company was, in my opinion, in bad shape. It was providing no service to its franchisees and was receiving no royalties. It had no operations management personnel and was being run, essentially, by the clerks."

Under the leadership of a food-service entrepreneur, Sam McMahon, who became president in December 1980, and controlled the company's stock until August 1981, the company stopped losing money. McMahon, according to Whittington, reduced overhead and paid the company's ongoing bills before or soon after the due date: something which had not happened at Omelet Shoppe for some time.

But the pair soon parted ways, Whittington said, because "his goals were not compatible with mine. I wanted the company to start to pay off some of its creditors." McMahon could not be reached for comment on this.

After trying unsuccessfully to liquidate the company, Whittington sold its stock to Commonwealth of Virginia, which assumed control of the company and signed a management contract with Whittington in August last year.

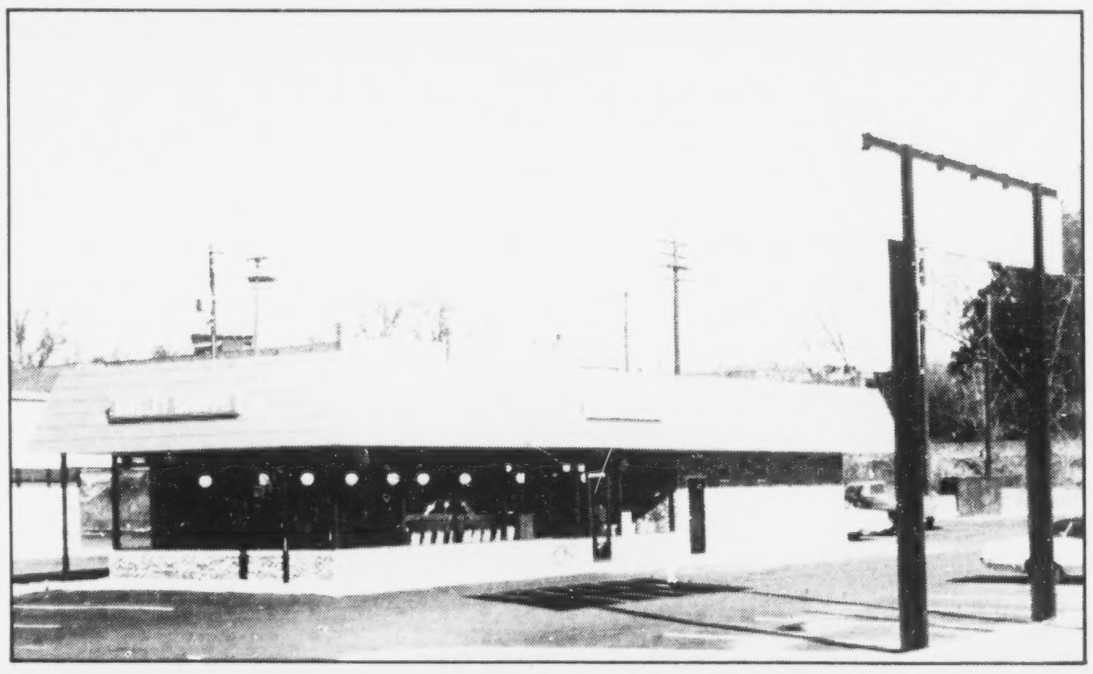
"This group," he reported, "has made substantial strides toward rehabilitating the company."

Under the direction of Mike Tingle, Commonwealth's manager in Omelet Shoppes, the company has closed down unprofitable stores, sharply cut back expenses and imposed a strict management training program. It has upgraded many of the units, paying for this with what Whittington terms a "substantial capital injection" from the hefty resources of the parent company.

It also made peace with the franchisees. It advised them that all royalties are suspended indefinitely, until the company is back on its feet again and the home office is in a position to offer services, and a new contract to its surviving franchisees.

But most importantly, it restored the original menu and concept—and prices—of the Omelet Shoppe. Whittington said that this could be the key to the chain's future in a region where reductions in disposable income are felt first by the restaurant business, rendering high perceived value a must.

The results aren't in yet. Before the Commonwealth takeover, the store's total sales consistently fell under $500 a day. Now, Whittington expects many units to turn a volume of $500,000 for 1982.

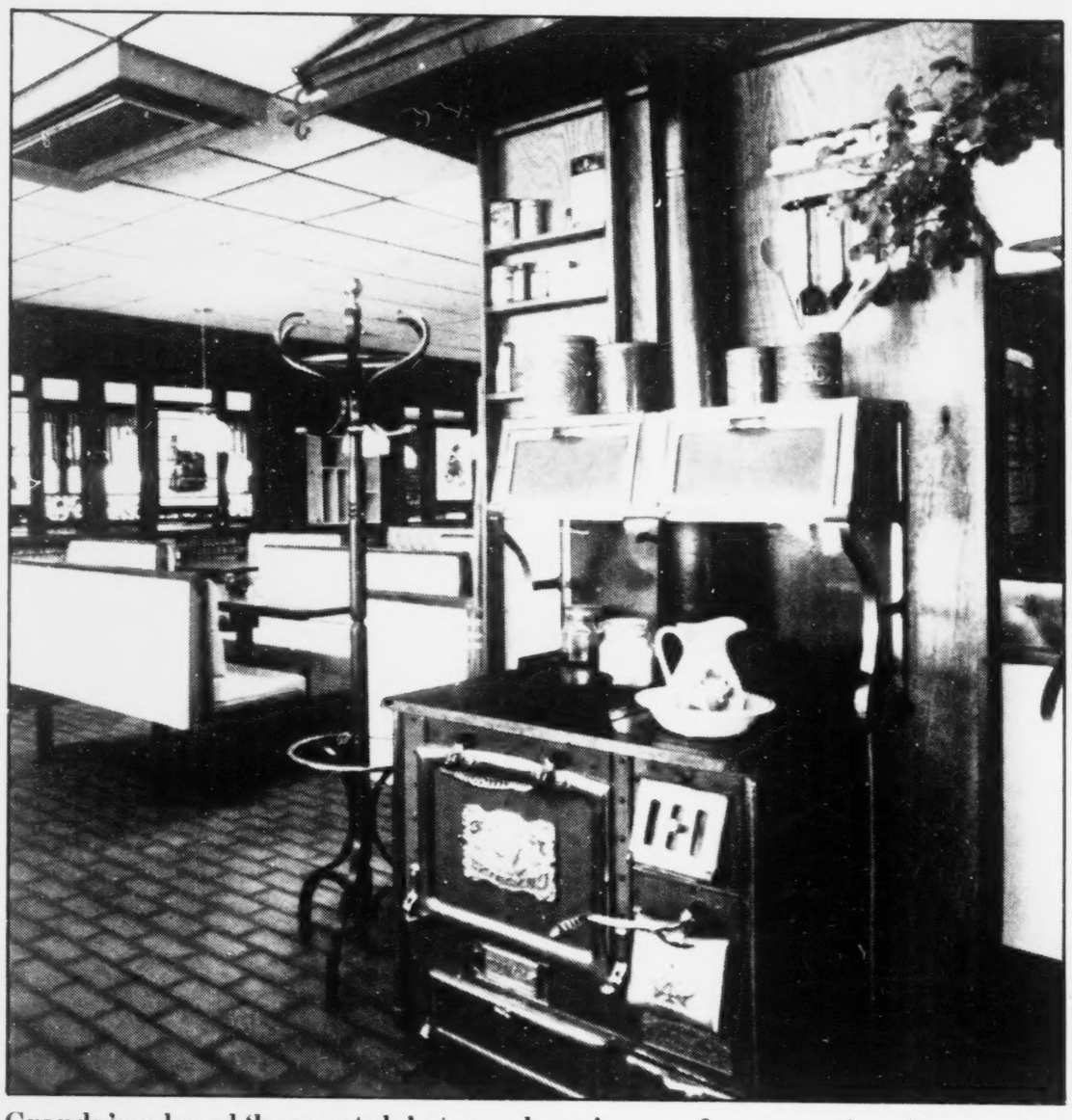


Under new ownership, the problem-plagued Omelet Shoppe chain seems to have turned around its fortunes.

NRN FOCUS

WEST SOUTH CENTRAL REGION

Mexican food predominates; other concepts also prosper



Grandy's relaxed 'home-style' atmosphere is one of many regional concepts which are giving the national chains a run for their money.

NRN Special Report

It seems impossible to saturate the states of the West South Central area with too many Mexican restaurants.

The region is definitely a growing Mexican food territory for the second tier chain group, from fast feeders, to cafeterias, to dinnerhouses.

Making the region healthy for the likes of Casa Bonita, Monterrey House and others is an ongoing regional boom, based on continuing heavy population growth and the concentration of energy-related industry here. Younger people, especially, are moving to Texas and adjacent states to take advantage of employment opportunities.

The National Restaurant Association says the region's eating place sales will rise almost $1.2 billion this year to a $10 billion total. Texas alone will post a 14.1% jump to $7 billion.

By Don Frazier

Flush times make this oil-rich stretch of the Sunbelt fertile ground for the mammoth national chains, but they also allow room for a few regional companies to hone their concepts and prosper.

It's no use competing with the burger, chicken or coffee shop powerhouses in Texas, Louisiana or Oklahoma—they're all here in force. So Luther's Barbeque, Grandy's Country Cookin', Casa Bonita and the Brennan family's restaurants have taken another tack. They have refined four uniquely local concepts and hope to flourish as this part of the country comes to resemble the rest of the nation.

In the wide-open entrepreneurial spirit which prevails here, a promise is as good as a deed and Luther's is as good as a success. Surely Luther's shows great promise. The barbecue chain, now 11 units strong, has been poised for rapid expansion since its acquisition by Chart House, which hopes to use it as a franchise vehicle.

The company, now wholly owned by (but independent from) its parent in Lafayette, La., has now set up shop in Houston where several of its units are now located.

Offering a range of barbecued items from ribs and beef to hamburgers, Luther's hopes to be the first operator in the country whose production process allows fast service and preparation of barbecue in quantity. Its ambience is rustic, its service line is cafeteria-style and its prices are low: about $3.80 per person.

The strength of the Luther's concept, according to Chart House president Robert Luckey, lies in the fact that ribs and other barbecue items now have a great unfulfilled demand throughout the South. People grew up with them, but they cannot get them in a restaurant setting because rib parlors tend to be in the black inner cities which whites avoid.

Meanwhile, no food-service companies other than Luther's were addressing themselves to this unfulfilled market.

If the performance of the new Luther's unit in Houston is a reliable predictor, these people will file into the first Luther's they see. The restaurant, Luther's executive vice president Mike Blackman said, is now posting sales of more than $6,000 a week and had to expand its hours to accommodate the crowds.

The company is now devising a breakfast program, which will probably serve biscuits and gravy—other items which are popular in this region, but would not occur to the product development division of a major national chain.

The Luther's staff, headed by president Roger Kisiel, is now inspecting sites for potential franchisees because, as Blackman says, "at this stage of the game we care more about establishing a favorable image than anything else."

To convince these applicants to invest in the Luther's concept, the extent restaurants must show a record of earnings significant enough to offset the high interest rates which a franchisee will incur in today's economy. So far their average annual sales per unit exceeds $1.3 million. But one restaurant group here doesn't worry about franchising—its all in the family.

That group is the three restaurants owned and operated by the branch of the Brennan family which runs Commander's Palace in New Orleans.

A rift in expansion policy caused these, the 'uptown' Brennan's, to break away from their cousins who still run Brennan's restaurant in the French Quarter.

Soon after establishing Commander's Palace in 1969, the rebel faction opened restaurants in Dallas, Houston and Atlanta. It recently added another New Orleans restaurant, Mr. B's Bistro, to the crowded French Quarter market, right up the street from Brennan's.

But this embryonic chain of restaurants was nipped in the bud last year when the Atlanta restaurant was sold; the Dallas restaurant had been sold previously.

The reason, according to Dick Brennan, has nothing to do with profitability: both restaurants were, by all reports, doing well. They were sold, he says, because none of the members of the family wanted to live in either of these cities to run the restaurants. Rather than trust them to outsiders, the Brennans sold them.

The surviving three restaurants take in more than $10 million a year. They do this by offering traditional New Orleans-style Creole fare amid surroundings rich in local atmosphere. At Commander's Palace, this means the candlelit, wallpapered and bough-shrouded elegance of the Old South and an average ticket of $23; at Mr. B's Bistro, it means the informality of a French Quarter barroom and an average ticket of about $15. Unlike most New Orleans restaurants, they make a point of brisk service and a fast-table turnover.

Farther west, another regional chain is apparently squeezed hard by new national competition and an aging concept. It is Casa Bonita, the Dallas-based operator of "about 55" Taco Bueno fast-food outlets, four Casa Bonita Mexican-style cafeterias and eight Crystal's Pizza and Spa-

(Continued on page 66)

WEST SOUTH CENTRAL

Louisiana

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Commander's Palace	tablecloth	New Orleans	3	$10

Oklahoma

Ken's	fast food pizza	Tulsa	200	50

Texas

El Chico	Mexican dinnerhouses	Dallas	110	75
Monterey House	Mexican dinnerhouses	Houston	90	60
Grandy's	fast food chicken	Lewisvile	65	60
Casa Bonita	Mexican dinnerhouses	Dallas	75	45
Ron's	fast food chicken	Houston	105	35
Frontier	dinnerhouses family rests.	San Antonio	20	30
Taco Plaza	fast food tacos	Hurst	75	17
Pelican's	dinnerhouses	Dallas	20	15
Gallagher's	dinnerhouses	Houston	14	—
Luther's	barbecue	Houston	11	9
Old San Francisco	Mexican dinnerhouse	San Antonio	3	6
Felix	Mexican dinnerhouse	Houston	8	5

Source: *NRN research*

NRN FOCUS

MOUNTAIN REGION

Innovators score with creative merchandising

NRN Special Report

Mountain region states are paced by second tier dinnerhouse and specialty restaurant operations in Denver and Phoenix and many Mexican and other small fast feeders through the rest of the area.

The region is growing rapidly and for the most part exuding economic health. Mineral exploitation, defense projects and widespread new construction are the impetus to growth in employment and disposable personal income.

Disposable personal income is forecast to rise 13.2% in the region in 1982. A beneficial operating environment for second tier and other restaurants can definitely be expected.

By Susan Spedalle

PHOENIX—Four innovative chains based here are among the region's standouts.

These four are merchandising-oriented Big Four Restaurants, Cafe Casino, Bobby McGee's and Swensen's.

Big Four Restaurants have made their mark with their marketing efforts. They just completed a beer promotion that has increased liquor sales by $15,000 a month since the promotion began.

The Big Four Restaurant Corp. is run by three friends who grew up together in Arizona and made a name for themselves with their first restaurant, The Lunt Avenue Marble Club. The Marble Club's philosophy is to give large portions for reasonably low prices (the average check at dinner is $7) in a relaxed environment of fern plants and brass railings. Based on the success of the two Marble Club units, the $17 million company opened two Mexican dinnerhouses called Willie and Guillermo's with the same philosophy and similar average check.

About a year ago, the company opened a more upscale unit called Oscar Taylor's, which included an on-premise bakery and butcher shop. A hybrid Oscar Taylor's/Lunt Avenue Marble Club will open in an upscale mall in San Francisco this year.

As the Big Four Restaurant group grew to nine units, the customer mix of 25- to 54-year-olds with discretionary income might have been lured away by the competition: national specialty restaurant chains such as Houlihan's or Bennigans.

Big Four has been able to hold on to its clientele by "not overreacting," says director of marketing Steve Stein.

"A smart customer can perceive things," says Stein "and we have to be confident enough and proud enough not to imitate others. We have to show customers that we are not going to change to be like the others and we don't want to be confused with them."

By sticking to their own ways and not becoming a "me, too" operation, Big Four says they have been able to capture a loyal customer following.

At Cafe Casino in Phoenix, director of marketing Ed Wilson says that the chain's position has led to "a virtually competition-less niche." Cafe Casino, owned by a French company, Etablissements du Casino de France, is an upscale cafeteria that serves traditional French food for cafeteria prices. In its four Southwest units, up to 70 entrees, 50 salads, soups and 55 pastries are offered at one time. The Art Nouveau decor and buffet style combine to create a setting that is an alternative to the high priced, haute cuisine restaurants in the area.

There are currently four locations: on Wilshire Boulevard in Beverly Hills, Calif.; in Scottsdale, Ariz., and in Westwood, Calif.—the units always go into affluent areas.

Three new restaurants are planned for 1982.

"We've got a great appeal to those customers who are making $25,000 or more, white collar workers," says Wilson. "We have a high number of repeat customers and business is good despite everyone's decline in traffic."

One of the new units will be in Seattle, the first time Cafe Casino has gone out of the prosperous "Sunbelt" states. The store will give the company some idea how the concept goes over in areas outside the Southwest.

Swensen's ice cream "is in the rich tradition of San Francisco, as much a part of [the city] as cable cars and Victorian homes . . ." says the company's franchise prospectus.

The Swensen's corporation can be divided into two camps: the skeletal dip stores which receive already-made ice cream and the Ice Cream Factory's that make all ice cream on premises, serve ice cream concoctions, sandwiches and burgers and are large units decorated with stamped tin ceilings, setees, Tiffany lamps and marble-topped tables.

In this league, Swensen's vice president of marketing Lawrence Wilson says, the chain has no equal.

"No one else has really captured the feeling of an old time soda fountain," says Wilson.

Since their 1980 acquisition by Phoenix-based Red River Resources, the company has made an attempt to buy back territorial rights from franchises, both in areas where the units have been built and also the unexplored areas of the East and Midwest where they feel they can compete successfully for the ice cream parlor market. Sixty per cent of the new stores they are looking to open will be the larger soda fountain units.

The dip stores, which face heavy competition from the likes of Haagen-Dazs and Baskin-Robbins, will account for 40% of new growth. They currently number only about 80 of the chain's 320 stores.

A $37 million company headquartered in Phoenix, Bobby McGee's

(Continued on page 68)

MOUNTAIN

Arizona

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Swensen's	family rests.	Phoenix	300	$75
Village Inn	family rests.	Scottsdale	165	50
Bobby McGee's	dinnerhouses	Phoenix	17	35
Big Four	dinnerhouses	Tempe	10	20
The Salad Bar	dinnerhouses	Scottsdale	110	16
Cafe Casino	French cafeterias	Scottsdale	6	9
Utah				
Spudnuts	fast food	Salt Lake City	85	50

Source: *NRN research*

Unique local concepts allow smaller chains to prosper

(Continued from page 64)

ghetti restaurants, all located mainly here in the Southwest.

Casa Bonita had posted encouraging successes 10 years ago as one of the first companies to serve Mexican-style food in fast-food format. It also gained a great deal of attention—and customers—for the unusual performances in its four massive cafeterias, such as cliff-diving, gunfights and the antics of actors wearing gorilla suits.

The Casa Bonita concept's great popularity in its four locations—which are Dallas, Denver, Little Rock, Ark., and Tulsa, Okla., according to its vice president James Rogers—apparently played a major role in convincing the massive British food-processing concern, Unigate, to acquire the company for $32.5 million last fall.

But according to industry sources, the flamboyant concept may have passed its prime. "It's great the first time you see it," explained one former management employee of a Casa Bonita restaurant, "But after you see it once, there's nothing left. No reason to go back. The food is forgetable: what do you expect of a restaurant that serves more than a million meals a year?"

For their part, officers of the company want to wrap its recent performance in secrecy, refusing to comment on these charges. The company posted a profit of $3 million for its last fiscal year. Although Rogers did not dispute an estimate of $65 million for annual sales, the financial press in Dallas claims the actual figure is closer to $50 million.

Traffic Decline

Meanwhile the Taco Bueno units, according to Wall Street analysts of Mexican-style fast-food companies, are beginning to suffer from declining customer counts as competition heats up in their primary market area. The units are thinly spread between Dallas, Houston, Fort Worth, Denver and other cities, rendering effective penetration of any one market difficult.

But the healthy economy of the region, plus the chain's long history, are expected to buoy its operations at least until management can devise appropriate strategies to deal with its reported difficulties of late.

Another Dallas-area company, Grandy's Country Cookin', has developed a concept serving country-style food in an upscale 140-seat sit-down fast-food environment.

The company, said president Ed Johnson, hopes to take on other chains such as Bojangles, Mrs. Winner's and Sister's who have also begun the reach for the emerging market in fried chicken and biscuits. "There's a big demand for this—everybody knows and likes the product—but there's a real lack of professional chicken concepts."

Johnson expects his concept to outflank the others because his menu is broader, including country-fried steak and a full biscuit-and-gravy with sausage breakfast, many of its items are prepared from scratch in the unit, the unit design boasts a drive-up window to attract the many fried chicken fans who think the item is for take out only, and the average check per person is a moderate $2.70.

Company-owned

All 13 of the company-owned Grandy's units are in Texas, but the 50 franchised units reach into 11 states from Oklahoma to Nevada to Florida. Johnson said that the same quality-control apparatus patrols both franchised and company stores, ensuring consistency of its product.

Although the chicken-and-biscuit concept is apparently just now coming into its own, Grandy's started to develop its unit and its procedures four years ago. The R&D stage took so long, Johnson said, because the company wanted a concept which could make a relatively broad and hard-to-prepare menu accessible to franchisees and easy to execute.

NRN FOCUS

PACIFIC REGION

California: fertile ground for 2nd tier chains

NRN Special Report

The Pacific region dominated by California has long been known as the place to look for what will happen next to the rest of the country.

If true, then special attention should be given to the region's growing number of second tier seafood specialty chains, upgraded hamburger concepts and Mexican dinnerhouses and fast-food restaurants.

These concepts, along with the West Coast's perennially strong family restaurants, will continue in the months to come to reap benefits of above average gains in employment and income.

Strong growth is seen in high technology computer and electronic component industries and in defense related sectors.

Hawaii's tourist-dependent economy will continue to have slower economic growth than other states in the region.

For the region as a whole, however, strong consumer spending is expected as the year rolls along.

By Jim Storey

LOS ANGELES—As far as many California restaurant chain operators are concerned, food-service innovation begins at the Pacific Ocean and heads east. Rarely, they will tell you, does it happen any other way.

While strong regional chains in other parts of the country may tend to disagree with such a statement, they would be hard-pressed to deny that California has a comparatively large share of successful second-tier chains.

Certainly the state's size is a primary reason for the large number of chains. With 23.9 million residents, California ranks first in population for the nation. In geographical area, it is third behind Alaska and Texas.

But there are other important ingredients. Some say it is the year-round mild climate that makes the restaurant environment so fertile. Others point to the state's recession-resistant economy. Recession-related problems tend to reach California last and with less adverse impact, operators say.

"It's like we have our own little economy out here," notes Eric Ward, president of C & C Services which operates 26 Cask 'n Cleaver steakhouses as well as two other dinnerhouse concepts.

Although standouts in the state are many, operators nevertheless describe the environment as extremely competitive. Innovation, they say, is a necessity for survival.

Nowhere is the competition more readily apparent than in the coffee shop segment. Not only are the big nationals, Denny's and Sambo's, based in the state, but a number of second-tier chains also compete heavily for the family restaurant customer.

Many of these chains grew up with and helped develop the coffee shop segment. Today, some of these pioneers have grown extensively and are looking at new concepts and vehicles for expansion. Others are content to expand slowly, if at all.

In southern California, for instance, the nine-unit Hof's Hut chain has not opened a restaurant since 1975, according to executive vice president Craig Hofman. Instead, the 31-year-old chain has been concentrating on remodeling and upgrading existing units.

"We've added a lot more as far as decor is concerned," Hofman says. Some of the changes have included adding carpeting and more table seating.

(Continued on page 70)

PACIFIC

California

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Del Taco Inc. of California	fast food tacos	Costa Mesa	169	$100
Pioneer	fast food chicken	Los Angeles	300	95
Round Table	fast food pizza	San Francisco	275	90
Associated Hosts	dinnerhouses	Beverly Hills	86	80
Specialty Rests.	dinnerhouses	Long Beach	40	70
Trans/Pacific Rests.	family rests.	Irvine	55	65
Carrow's	family rests.	Santa Barbara	85	65
Colony Foods	family rests.	El Cajon	110	55
Lyons	family rests.	Foster City	46	52
Trader Vic's	tablecloth	San Francisco	22	50
Calny	Mexican fast food	San Mateo	110	40
Hungry Tiger	dinnerhouses	Van Nuys	30	40
Cask 'n Cleaver	steakhouses	Cucamonga	32*	36
Hamburger Hamlets	dinnerhouses	Beverly Hills	25	35
Rusty Scupper	dinnerhouses	San Mateo	25	35
Don the Beachcomber	dinnerhouses	Hollywood	20	30
Pizza Time Theater	fast food pizza	Sunnyvale	91	—
Acapulco y Los Arcos	Mexican dinnerhouses	Pasadena	29	28
Spires	family rests.	Buena Park	25	25
Pup 'n Taco	fast food tacos	Irvine	115	25
Rusty Pelican	dinnerhouses	Irvine	12	24
Tiny Naylor's	family rests.	Santa Fe Spgs.	26	20
Sir George's	smorgasbord	Woodland Hills	34	20
Seafood Broiler	family rests.	Lakewood	10	19
Anthony's	dinnerhouses	San Diego	8	18
Norm's	family rests.	Long Beach	17	16
Scona's	dinnerhouses	San Francisco	4	13
The Grinder	family rests.	Santa Fe Spgs.	20	13
Hof's Hut	family rests.	Long Beach	9	12
Numero Uno	fast food pizza	Woodland Hills	33	12
Zim's	family rests.	San Francisco	14	10
Lawry's Prime Rib	dinnerhouses	Los Angeles	6	9
Captain Kidd's	fast seafood	San Diego	17	8
Gulliver's	dinnerhouses	Los Angeles	3	7
Pam Pam	family rests.	San Francisco	3	7
Mama's	cafeterias and rests.	San Francisco	6	5
Salmagundi's	cafeterias	San Francisco	6	5

*Includes 4 Lord Charley's and 2 El Gato Gordo

Source: *NRN research*

MOUNTAIN REGION

Dinnerhouses, specialty restaurants are fast growers in mountain region

(Continued from page 66)

specialty restaurants feature waiters and waitresses dressed in costumes of the Lone Ranger, Rebecca of Sunnybrook Farms and Superman. Dining areas are split into five or six different "environments."

The units also sport lounges where deejays start at 7 p.m. with big band music aimed at an older crowd and end the evening with the "Top 100" as younger diners move to the dance floor.

The supper club concept—where diners are given preference over those who've come just for the bar—hasn't detracted from a 45/55 liquor-to-food sales ratio.

A recent beer promotion resulted in increased liquor sales of $15,000 a month at Big Four Restaurants' Lunt Avenue Marble Club.

NRN FOCUS

PACIFIC REGION

2nd tier chains are thriving in very competitive market

(Continued from page 68)

The chain, which is headquartered in Long Beach about 30 miles south of Los Angeles, also is adding outdoor patios to its breakfast, lunch and dinner, family-style restaurants. Three of the new patios currently are operating, Hofman notes.

Each unit averages about 200 seats. Menus include burgers, omelets, quiche and chicken dishes.

Hofman points out that the chain stresses quality and has become known for its homemade style menu. The company has its own bakery and meat processing plant.

Despite the fact that no new units have been added in seven years, the privately held chain is generating $12 million in annual sales, or about $1.3 million per unit. Average per person check is about $4, Hofman says.

Another southern California chain, Jolly Roger Inc., has grown by adding units and expanding into new concepts. The chain, founded in 1948, operates 40 family-style nautical themed restaurants in California, Arizona and Hawaii. It also is the exclusive Hawaiian franchisee of Sizzler Family Steak Houses, operating seven of those units.

The $65 million restaurant chain recently formed a holding company called Trans/Pacific Restaurants Inc. in a move president Douglas Salisbury said would "allow us greater freedom in the development of new names and concepts while providing us with a more uniform identity within our various existing corporate organizations."

The new holding company will provide an umbrella for the various expansion programs the company is undertaking, Salisbury said, and controls nearly 60 restaurants. Sales growth for the year is projected in the 20% range.

The company, headquartered south of Los Angeles in Orange County, currently is developing a new concept centered around a casual "greenhouse" atmosphere and a menu that features quiche, homemade soups, specialty sandwiches and fresh fruits and vegetables. The new format is geared more toward the young adult and places more emphasis on a lounge business, company officials say. The first such unit, called McBride's, opened recently in Sacramento in northern California.

Tiny Naylor's, another longstanding coffee shop chain, is one of the pioneers of the so-called coffee shop segment. Based in Santa Fe Springs, the chain's first restaurant opened in 1928, and the resulting chain has gained strong recognition among local customers.

Six of its 26 units have been converted to a new concept that the company has developed for future growth. Called Tiny's Restaurant and Bakery, the concept includes a menu that features more than 200 items and offers upscale decor. A build-to-suit prototype unit, for instance, features wood beams, greenery, glass walls and a patio.

All baking, as the name implies, is done on premises.

The chain currently does an annual volume of $20 million. Seating in its coffee shops varies from 65 to 300 persons. The new prototype, however, seats 185 persons and has generated more than $1 million in its first year of operation, according to operations vice president Charles Burroughs. Check average is in the $5 range for all day, $7 for dinner.

Like southern California, the northern half of the state also has a number of strong regional coffee shop chains.

In Foster City, just south of San Francisco is the headquarters for Lyons, the 46-unit family restaurant chain owned by Consolidated Foods. For the last fiscal year, ended in June, the chain reported $52.2 million in sales. This year it expects to do about $58 million, and over the next 12 months add about five new units, according to marketing vice president Robert Fraser.

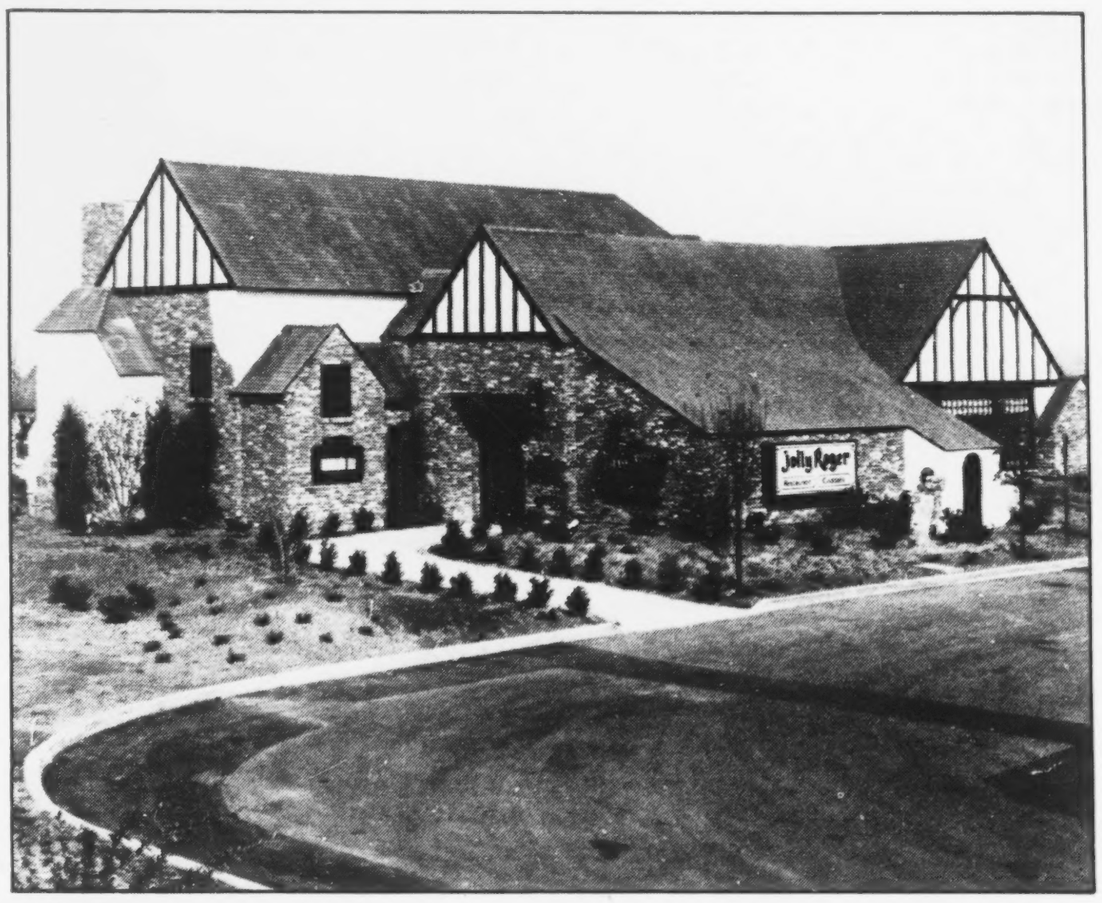
The chain is concentrated in northern and central California although it also has units in Nevada, Washington and Oregon.

Lyon's specializes in doing most cooking from scratch, Fraser notes. "We don't have any central commissary, and we do more prep cooking," he says.

At the same time, the 24-hour chain offers its 60-item menu at what Fraser describes as a good price-value relationship in an upscale coffee shop/family restaurant environment. Average per person check is in the $3.50 range. Newer restaurants average 180 seats.

Besides opening two new units last year, Lyon's has been concentrating on upgrading its lunch selections, improving its sandwiches and their presentation, Fraser said.

A strong "mini" chain in San Francisco is Pam Pam East Restaurant Enterprises. The three unit chain includes: Pam Pam East, an upscale California-style coffee shop in downtown San Francisco; Rosebud's, an English Pub-style dinnerhouse, also downtown, and Biff's Coffee Shop, an upgraded coffee shop across San Francisco Bay in Oakland.



Jolly Roger, founded in 1948, has grown by adding new units and expanding into new concepts. The units feature a nautical theme.

Units

The three units gross approximately $7 million annually, according to owner S. J. Monro. The two coffee shops feature about 21 entrees and 18 sandwiches. Average check is $4 per person.

Rosebud's, which is open from 11 a.m. to 1 a.m., averages approximately $11 per person at dinner.

Monro points out that the two San Francisco restaurants are located in the center of 10,000 hotel rooms. Each restaurant does at least 50% of its business in tourist trade, he says. That means that the restaurants need to have attractive and clean exteriors in order to draw a potential customer inside. Once inside, however, the varied menu and courteous service takeover, Monro notes.

Locals eat at the restaurants because of their reputation, he adds. "Rosebud's is one of the few places that serves fine prime rib in San Francisco," Monro says.

Another local San Francisco coffee shop chain that concentrates heavily on the city area is Zim's. The 14-unit, family-owned chain was one of the pioneers in northern California.

Today, the chain is well-known by locals. Annual sales, according to president Steven Zimmerman, are around $10 million.

There are other coffee shop chains. About 100 miles up the coast from Los Angeles, atop a hill overlooking the Pacific Ocean on one side and downtown Santa Barbara on the other is the headquarters of Carrow's restaurants. A regional standout, the privately held company operates 85 Carrow's family restaurants in California, Washington, Oregon, Arizona, Nevada, Texas and New Mexico.

The majority of the units are in California. While company officials are hesitant to give average per unit annual sales volumes, *NRN* estimates that a typical 140-150 seat Carrow unit grosses between $750,000 and $800,000 a year.

Although it may seem like coffee shop chains dominate California food service, that is not the case. The state is home for a number of successful chains in every imaginable segment.

Seafood plays a major role in West Coast food service, and California has its share of local chains that are capitalizing on the fresh seafood concepts. Anthony's, which operates eight restaurants in six locations in the San Diego area, has its own central commissary and wholesale fish operation in order to guarantee quality. "We control processing of the fish from the time it comes in from the fishermen to the time it goes to the customer," says Anthony Ghio, vice president and general manager.

The first Anthony's Fish Grotto

(Continued on page 74)

Lyons, a 46-unit family restaurant chain owned by Consolidated Foods, specializes in doing most cooking from scratch.

NRN FOCUS

PACIFIC REGION

Seafood is trademark of Pacific Northwest

By Jim Storey

SEATTLE—Known for its seafood, the Pacific Northwest has spawned a number of second-tier chains whose concepts are centered around a nautical theme.

One such chain is Sea Galley Stores Inc., a 44-unit, upscale family-seafood chain headquartered in the suburban Seattle community of Mountlake Terrace.

The chain, which went public just over a year ago, is expanding at the rate of about one restaurant a month, according to president Steve Dowen. At last count, the company consisted of 34 Sea Galley restaurants and 10 Family Fish House restaurants.

Primarily located in the Pacific Northwest, Sea Galley took a major step into the Midwest last April when it purchased the 31-unit Family Fish House chain. The company has since sold off a number of the units and converted some of the others to Sea Galleys. The chain is in the process of converting the remaining 10 restaurants to Sea Galleys at the rate of about one every other month, Dowen says.

Dowen, 37, started the Sea Galley concept in 1975. He admits that the chain is "the seafood version of Stuart Anderson's Black Angus" restaurants.

The restaurants feature an upscale dinnerhouse atmosphere with a nautical motif. Depending on the size of the prototype, the restaurant will seat either 165 or 190 persons.

Average annual sales per restaurant are about $1.5 million, Dowen says. The chain did approximately $47 million in sales last year.

Sea Galley's menu features seafood and prime rib dinners grouped into four basic price ranges; $5.95, $6.95, $7.95 and $8.95. Average dinner check is about $9.

The dinner menu contains about 30 entrees which come with rice pilaf, french fries or baked potato and salad bar.

Dowen notes that the restaurant chain will be able to grow through 1982 and possibly into 1983 without any need for borrowing. The chain plans to expand by clustering units in residential markets.

Another seafood-oriented chain operating out of the Seattle area is Skipper's. The fast-seafood style operation has 117 restaurants, 10 of which are franchised. All operate under the name Skipper's Seafood 'n Chowder House.

The restaurants achieve a $3.50 per person check average with a menu that features fish and chips, shrimp, scallops, clams and chicken. Beer and wine is also offered in all units where the community allows it. Salad bars are in all units.

Current units seat 120 persons in booths and table arrangements that feature wood paneling and hanging plants. Average annual volume per unit ranges from $350,000 to $360,000, according to Skipper's president Eugene Stone.

Skipper's went public last May, Stone explains, to help fund an accelerated expansion program. The chain has undergone a remodeling program for the last two years and, Stone notes, is now ready for expansion out of the Northwest.

Skipper's currently operates in Washington, Oregon, Alaska, California, Utah, North Dakota, Colorado, Idaho and British Columbia. About two-thirds of its units, however, are located in Washington and Oregon.

Stone says the chain will be accelerating its franchising program and is considering breaking into new markets. It recently opened its first Colorado unit in Greeley.

The Northwest, however, also houses regional standouts that do not specialize in seafood. The Red Robin is just one example.

Founded in 1969 by Gerald Kingen, the full-service, gourmet burger chain today numbers 10 units, three of which are franchised (see other story). The restaurants do close to $20 million in annual sales, and the chain has mounted an aggressive franchising expansion drive.

Another standout is The Old Spaghetti Factory, based in Portland, Ore. The 17-unit chain was started in Portland in 1969 by the company's president, Gus Dussin. The company has stuck to a basic full-course dinner that includes salad, spaghetti, bread, ice cream and coffee, tea or milk. Average check is $4.25 to $4.50. Liquor is also available.

The restaurants, which range from 200 to 500 seats, average $1.25 million to $1.5 million in annual sales. The slowest unit does $600,000 annually, Dussin points out, while the best does $2.25 million. Company sales were approximately $23 million in 1981.

Although it is based in Portland, The Old Spaghetti Factory has expanded by going into large metropolitan areas with one unit. The chain is currently in Denver, St. Louis, Los Angeles, San Diego, Portland, Seattle and Honolulu, to name a few markets.

With few exceptions, the chain has expanded by taking over old, turn-of-the-century buildings, at least five of which are historic landmarks. The restaurants are decorated with what Dussin describes as "a lot of Victorian, eclectic junk. Some people call it antiques," he quips.

Decor includes ample use of stained glass, carved wooden tables, antique chairs and a trolley car in every restaurant.

PACIFIC NORTHWEST

Oregon

Name	Type	HQ City	Estimated Number of Units	Annual Estimated Total Sales (millions)
Taco Time	fast food tacos	Eugene	245	$55
Int'l King's Table	smorgasbord	Eugene	57	35
Old Spaghetti Factory	dinnerhouses	Portland	17	23
Rian's	dinnerhouses	Portland	6	5
Hilaire's	dinnerhouses	Portland	3	5

Washington

Sea Galley	dinnerhouses	Mountlake Terrace	44	47
Skipper's	fast seafood	Bellevue	117	30
Pizza Haven	fast-food pizza	Seattle	40	19
Restaurants Unlimited	dinnerhouses	Seattle	15	19
Red Robin	dinnerhouses	Seattle	11	17
Consolidated Restaurants	dinnerhouses	Mercer Island	15	13
Chapter Eleven	dinnerhouses	Spokane	11	11

Source: *NRN research*

Gourmet burgers headline Red Robin's success story

By Jim Storey

SEATTLE—Burger No. 19 on Red Robin's menu is called the Inflation Burger.

"It costs more," the long-winded description finally concludes. The price—$250.

Red Robin president Gerald Kingen readily admits that the Inflation Burger is a joke, as is burger No. 29, the Liberation Burger. That item, describes the menu, consists of a "roast male chauvinist pig . . . 'chaufroid' . . . sliced thin . . . and laid on a waterbed . . . by a California girl."

"We try to keep it fun," Kingen says of his entertaining menu and the 10-unit gourmet burger chain he began building in 1969. Kingen has the right to be smiling.

The 10 units are doing close to $20 million in annual sales, he points out. Last year, net profit was approximately $2.3 million. Average per person check for a chain whose menu features burgers is $6.15 for lunch and $6.60 for dinner.

All company-owned stores, Kingen adds (three are franchised), do over $1.2 million, with the company's 185-seat North Seattle unit grossing $2.3 million.

A typical Red Robin runs a food cost in the 33% range and labor, including employee benefits, in the 28% range. The restaurants average a net profit of 10%, with company-owned units averaging 13%, Kingen claims.

Red Robin recently initiated an aggressive franchising expansion drive. Company officials say that 10 investors have committed to develop a total of 50 Red Robins throughout

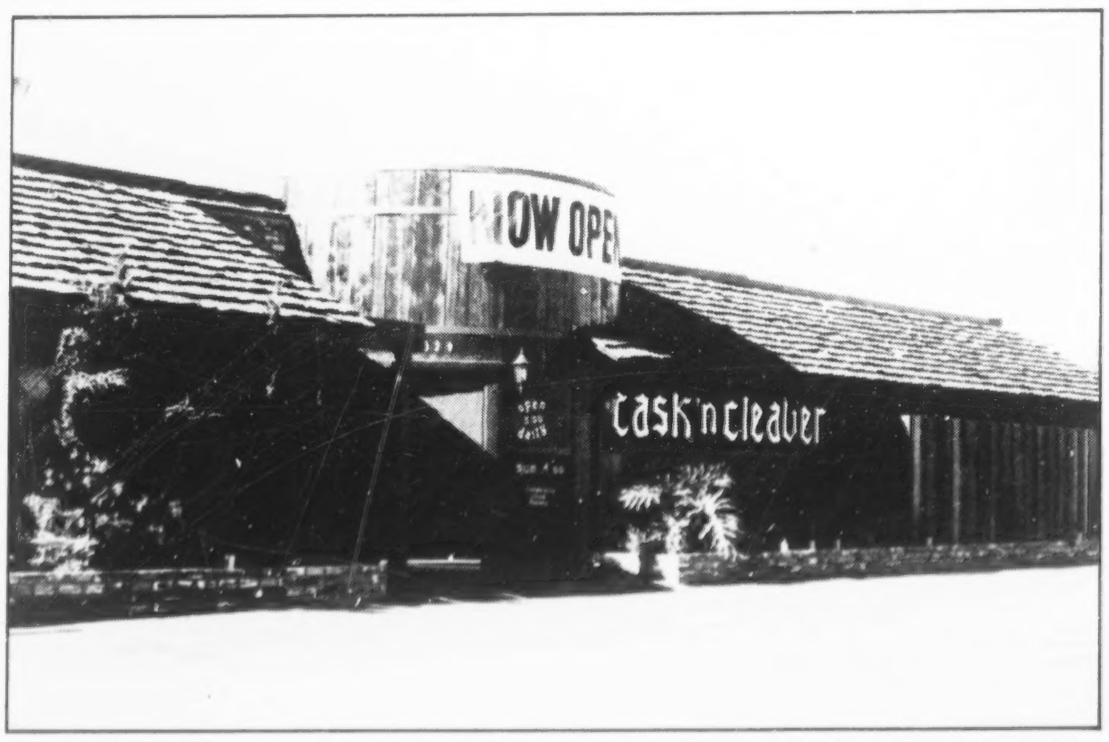
(Continued on page 74)

With a tongue-in-cheek menu, the 10-unit Red Robin gourmet burger chain is doing close to $20 million in annual sales.

NRN FOCUS

PACIFIC REGION

2nd tier chains abound in competitive atmosphere



C & C Services in southern California operates 26 Cask 'n Cleaver steak and seafood restaurants.

(Continued from page 70)

was established in 1946. While the chain has always concentrated in seafood, its concept has been expanded from the family-style Grottos to include the gourmet Star of the Sea Room, two quick serve restaurants, and Anthony's Harborside.

Harborside, the company's newest operation, also contains a salad bar, and steak and steak and lobster entrees have been added to the menu.

The Grottos, which average 250 dining seats, have an average per person check of about $6.50, not including liquor, Ghio says. Star of the Sea Room, in contrast, seats about 85, and its checks average $27, including cocktails, per person.

This year, the privately held company will do over $18 million in total sales.

"We cook to order. We do not prepare anything ahead," says Ghio of the company's adherence to quality standards. "We buy nothing but first quality merchandise."

While the company operates on a set menu, it also makes allowances for unusual catches, he points out. "And when we can't get anything locally, we fly it in." Ghio says the company spends about $12,000 a month in freight costs to fly in fresh seafood.

Irvine-based Rusty Pelican, which opened its first unit in southern California in 1965, today has 12 seafood-style dinnerhouses in California, Oregon and Texas, doing $24 million annually.

The chain has grown using a number of names for its restaurants, including Ancient Mariner and The Rusty Duck. Now, however, "our entire thrust is on the Rusty Pelican," notes operations vice president Randy Howatt.

Rusty Pelicans typically offer 12 to 20 fresh lunch and dinner seafood entrees daily, as well as an elaborate hot and cold seafood appetizer bar in the lounge area. The dinnerhouses seat about 180 persons in the dining area and 180 in the lounge. Food comprises 65% of total sales.

Average per person check at a Rusty Pelican runs between $11.50 and $14, Howatt says. The prototype unit which the company is using for future expansion, is grossing $2.5 million annually, he adds.

The dinnerhouses are uniquely nautical, always incorporating water into the architecture either by situating on the ocean or by building a lake next to a unit or waterfalls inside the units.

The chain recently broke ground for a new unit in Phoenix. A second new unit is scheduled for 1982.

A family-style, full-course dinner concept centered around fresh seafood grilled over mesquite charcoal, the chain is planning to add three more units in the next several months. It is scheduled to enter San Diego in 1983 where it plans to build five units, according to Steifel.

The restaurants range in size from 145 to 200 seats and average per unit volume is just under $2 million. Last year, the then 10-unit chain reported sales of $19.3 million, a 48% increase over the prior year, which Stiefel attributed to new store openings.

The restaurants also feature an exhibition cooking area and a retail fish market where customers can purchase fresh fish to prepare at home.

The traditional red-meat dinnerhouses also have their standouts throughout the state. The three-unit Gullivers, for instance, has operated for 11 years serving only one entree for dinner—prime rib.

"We never felt it was necessary to diversify the menu," says Albert Levie, Gulliver's president, "as long as the volume was there."

The three dinnerhouses, which seat between 200 and 225 diners, are doing an annual combined volume in the $7.5 million range, Levie says.

Themed around the literature classic "Gulliver's Travels," the restaurants convey an English dinnerhouse atmosphere and feature full-course prime rib dinners for a fixed price.

Lunches differ in that there are 10 different items plus a daily special.

Levie points out that his restaurants need to be in high-volume areas, since the restaurants are known more as special occasion dining establishments.

Two restaurants are located in southern California and one in Burlingame, south of San Francisco. While the southern California units will remain unchanged in terms of menu and decor, Levie says he has decided to diversify the menu at his Burlingame unit. The new menu will feature—besides prime rib—steaks, fish, poultry and lamb. If the concept is successful, he says he may consider expansion.

Another southern California dinnerhouse company that has stood the test of time is C & C Services. The management company oversees 26 Cask 'n Cleaver steak and seafood restaurants, four Lord Charley's upgraded English-style restaurants, and two El Gato Gordo Mexican dinnerhouses.

C & C started in 1967 with its first Cask 'n Cleaver restaurant. Last year, the company had systemwide sales of $36 million, a 23% increase over 1980, according to president Eric Ward. He says the company expects sales of $42 million this year.

Cask 'n Cleaver restaurants feature steak and seafood with a salad bar. The restaurants seat about 140 persons in the dining area and 60 in the lounge. Average per person check, including liquor, runs between $12 and $13.

The average check at Lord Charley's units runs about the same as the Cask 'n Cleaver check, Ward notes. However, the Lord Charley's restaurants feature prime rib, poultry and seafood. Prime rib comprises about 45% of sales.

The El Gato Gordo restaurants are lower-priced Mexican dinnerhouses with per-person check averages in the $6.50 range.

Ward says the company likes to locate its restaurants in residential communities where the units can take on a local identity. The restaurants specialize in personalized service, he says, and attempt to get involved in community support programs.

C & C expects to open one El Gato Gordo and two Cask 'n Cleaver restaurants this year.

Probably one of the largest second-tier dinnerhouse chains is Associated Hosts Inc. Based in Beverly Hills, the company operates 83 restaurants and four hotels in 26 states. Fifty-two of the restaurants are Smuggler's Inns, which feature steaks, prime beef and seafood. Average per person check, including liquor, runs about $10. The restaurants average 250 to 300 seats, including lounge seating.

In fiscal 1981, ended Sept. 26, Associated Host reported sales of $79.9 million, a 4% increase over the prior year. Net income for the year of $2.1 million represented a 17% decrease, compared to the prior year.

Associated Host president Paul Rothman said the company's current thrust involves menu and concept changes. He said the company was considering converting some restaurants to all day menus featuring lighter-style dishes.

In San Francisco, Mama's represents another unique dinnerhouse operation. The company operates three restaurants inside Bay area Macy's department stores, one Macy's employee cafeteria, two restaurants in other locations and one

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Red Robin's success story is no joking matter

(Continued from page 73)

the Western United States and British Columbia over the next five years.

The franchising expansion drive should net the chain eight to nine restaurants this year, Kingen says.

The restaurants' decor incorporates brass, etched glass plants, Victorian style chandeliers, upholstered booths, carpeting and table seating. Four of the original eight Red Robin units also include electronic game rooms, an addition that larger franchisee units are also expected to incorporate.

Restaurant menus contain approximately 40 items including steak, fish, poultry, salads and soups. Burgers, however, are the mainstay. There are 27 from which to choose, not including the "joke burgers."

Burgers include the Chiliburger Superisimo—a patty topped with chili, cheddar cheese, chopped onions and diced tomatoes—and the Sinatra Burger, a breaded chicken breast topped with Italian sauce, mozzarella and Parmesan cheeses and anchovies. Food represents about 65% of sales.

In addition, Red Robin's menu includes a list of over 30 exotic drinks from, as the menu says, "Red Robin's Incredibly Creative and World Renowned Booze Production Division." The drinks run from $2 to $3.75.

Kingen, 38, bought his first Red Robin in 1969. Then a run down tavern near the University of Washington, the restaurant seated 65 persons and grossed $150,000 annually. Kingen more than doubled the size of the restaurant to 3,400 sq. ft., increasing seating to 134. And he began adding his gourmet burgers, the seasoning for which he learned while working in his father's drive-in restaurant as a teenager. Today, the restaurant has annual sales of $2 million.

In addition to the Red Robin restaurants, Kingen owns a number of other dining establishments, the names of which include Boondock's, Lion O'Reilly's, Salty's and the Great American Food and Beverage Co.

Investors interested in Red Robin need about $500,000 to gain territory and build and stock their first unit. However, that price varies. Franchisees pay Red Robin $25,000 for development rights of a specific area, plus 5% of sales.

Units currently are located in Washington, Oregon, Idaho, Colorado and California.

NRN FOCUS

PACIFIC REGION

California fertile ground for 2nd-tier chains

(Continued from page 74)

lounge, which the company is converting into a cabaret. The chain has annual sales in the $5.5 million range, according to vice president and general manager Raymond Latham.

Mama's flagship restaurant, located on fashionable Nob Hill, seats 200 persons and has a per customer check average, including liquor, of about $15, Latham says.

Latham explains that the restaurants are known for their "very high quality food, pleasant atmosphere and friendly service. We go out of our way to please our customers. We try to make them happy," he says. "We don't argue with them, we just do it."

Latham added that the company was not planning any new restaurants in the near future, but would concentrate on service and food, for which it has been known since the original restaurant was founded in 1951.

San Francisco is also home for a unique cafeteria-style soup and salad-style operation. Salmagundi opened its first soup and salad restaurant 10 years ago in the city's financial district. Open 11 a.m. to 3 p.m., the restaurant today generates $250,000 annually.

Today, however, the company consists of six restaurants, including two in southern California. The restaurants, which average 175 seats, will generate $5 million in sales this fiscal year, according to president David Hugle. Last year, which ended Oct. 31, the company grossed $4.25 million, he says.

"We consider ourselves upscale fast-food operations," Hugle explains. Per person check average is $4.85.

The brightly colored, cafeteria-style restaurants offer three different soups daily, served with salad and rolls. Quiche, dessert, beer and wine are also available.

California-bred pizza chains also are making their marks on the West Coast dining-out segment, competing heavily with the major national chains like Pizza Hut and Shakey's.

First and foremost is Pizza Time Theater, the Nolan Bushnell creation that stresses video games and amusements as much as it does its pizzas.

Bushnell, a pioneer of the video game industry, created Pizza Time Theater in 1977. The company went public last spring and currently has 91 units. About half are company-owned and half are franchised. Per unit volume is in the $1.2 million range.

A company spokesman said the chain would have over 100 units open by mid-March. The restaurants are presently in 20 states, although Pizza Time Theater is concentrated in California, Florida and Texas.

The units average size is 12,000 sq. ft., which is divided into a food and beverage area, a piano-bar cabaret, a game room and a lounge.

A much smaller, although more food-oriented franchise pizza operation is headquartered just north of Los Angeles in Woodland Hills.

Numero Uno, a 33-unit pizza restaurant chain, reported $11.8 million in total sales last year. The seven-year-old chain is comprised of 27 franchised units. Another 20 are scheduled to open this year, according to president George Marovich.

The 80-seat restaurants offer table service salad bars, and pasta dishes in addition to the thick-crust Sicilian-style pizza which is the Numero Uno specialty.

Pizza comprises about 75% of sales, and 40% of the business is to-go, Marovich says. A typical unit averages $436,000 a year, he notes, adding that the average check is around $6, not including beer or wine.

Units are located in residential areas, where they do the majority of their business at dinnertime.

While Numero Uno is the company's primary growth vehicle, Marovich notes that the company has also started developing a hot and cold sandwich restaurant called Sicily Subs. Three units are currently under construction and one is open. The new concept is designed for commercial areas, incorporates limited seating and is projected to gross $300,000 annually, Marovich says.

With its southern border adjoining Mexico, it seems only natural that California is headquarters for a number of Mexican food chains. One of these is Acapulco Y Los Arcos.

The Mexican dinnerhouse chain has been spreading its wings over the last few years, expanding out of its native California into Nebraska, Oregon and Kansas.

For fiscal 1981, ended Oct. 25, the 22-year-old company's 26 restaurants grossed $27.6 million, compared to 19.1 million for 19 restaurants at the end of 1980. Net income of $1.15 million for the year increased 15% over the prior year.

Currently, Acapulco has 29 restaurants, and an additional four units are scheduled to open during the remainder of the year; two in Ohio, one in Washington, and two in California. The chain is known for its extensive Mexican menu and the unusual award-winning recipes of founder, chairman and executive chef Raymond Marshall.

The Old Spaghetti Factory, founded by Gus Dussin, has been expanding from its base in Portland, Ore., throughout the Pacific region.

In the fast-food category, the 169-unit Del Taco Inc., which operates solely in California, is looking at malls as a new avenue of expansion. The company expects to add approximately 20 units this year, and recently purchased 12 Taco de Carlos units from Carl Karcher Enterprises. The units are being converted to Del Taco's, boosting the chain's number from 157 to 169.

Del Taco units average $650,000 in annual sales. The average check is about $2.50. The company grossed approximately $1 million last year, according to company estimates.

W. R. Grace purchased the rights to expand the Del Taco concept outside of California three years ago, but has not been successful with the concept. The California operation, however, remains a strong competitor in the state's Mexican fast-food segment.

California also has its own fast-food chicken mogul in Pioneer Take-Out Corp. The privately held, $95 million, 300-unit chain is currently in four states, but is seeking to expand into new geographical areas. About 70% of the chain is franchised.

Besides fried chicken, the chain also features fish, a limited sandwich line, corn, desserts and soft drinks, including the company's own Orange Whip. Units average between about $400,000 and $500,000 in annual sales. Volumes are highest in the Los Angeles area, where the chain's 155 units give it a strong market presence.

Company president H. R. Kaufman notes that the chain is scouting new markets outside the West, and may make a public offering within a few years.

Fried chicken chains thriving in Southeast

(Continued from page 56)

Minneapolis headquarters. The units average about $263,000 in annual sales, but that figure is weighed down by the large number of marginal, old stores.

Charles Cocotas, Golden Skillet president, said Dairy Queen will conduct a six-month fact finding mission before revitalizing the chain.

Franchisees, however, are already encouraged by Dairy Queen's operational expertise, marketing savvy and financial resources. Several expected that the prices they pay for some supplies will drop with DQ administration.

Cincinnati-based Famous Recipe was taken over almost the same time as Golden Skillet by Nashville-based Shoney's for $2.2 million. Many of the network's 220 stores are out of the South Atlantic region, but with Shoney's strong presence in the area, franchisees and observers alike believe Shoney's will make a strong play in its own backyard.

Chick-fil-A, based in Hapeville, Ga., with 237 units located exclusively in shopping malls, was the first to sell filet breast items, an idea now being copied by many chains. It is one of the steadier performers.

Baltimore-based Chicken George, with eight units, boasts average unit sales of about $1.7 million. With workers dressed in a derby, like the TV mini-series "Roots" character, Chicken George is making a strong play for blacks in urban areas.

The chain was launched in 1979 by Ted Holmes, a former personnel executive, first with the Chessie System and then with his own personnel agency, Aps. While not yet planning to go public, Aps, the parent of Chicken George, has held talks with investment bankers about privately placing debentures.

Financing is the name of the game in restaurant growth, and the hot dinnerhouse chains in the South Atlantic enjoy firm financial backers.

Golden Corral, based in Raleigh, N.C., numbered 185 units and systemwide sales of $108 million at the end of 1981. The budget steakhouse chain has made a name for itself by expanding through joint venture agreements throughout the rural Carolinas.

Quincey's, the steakhouse enterprise of Hardee's biggest franchisee, Spartan Food Systems of Spartanburg, S.C., is opening new units at the rate of one per week.

At the end of 1981, its 100 restaurants, averaging $825,000 in annual sales, had systemwide sales of $71 million. Spartan Food Systems, incidentally, is owned by Trans World, the airline conglomerate.

Darryl's, based in Raleigh, N.C., is owned by the General Mills restaurant group. The chain has added six units to the 11 it had in May 1981, and General Mills executives expect that growth will continue.

BUDGET STEAK CHAINS

The dawning of a new age?—Pp. 39-44

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Midwest operators battle to survive

By Joe Edwards

Hang in there, think positive and wait for spring. That sums up the philosophy that has been guiding food-service operators in parts of the economically depressed Midwest as they struggle through one of the most prolonged and disastrous downcycles in memory.

For some operators, the struggle is over: restaurant closings in some northern industrial cities have increased dramatically in the past year, according to operators and industry leaders contacted last month by *Nation's Restaurant News*.

Chain and independent restaurant operators are fighting back, however, with aggressive merchandising efforts, food and drink promotions, new menu items with lower-food costs, and tighter management controls.

Aggravating the region's serious economic problems was the brutal winter weather—the worst of the century, according to the National Weather Service. January was the cruelest month: on three consecutive weekends, the region was blasted with heavy snowfalls, high winds and subzero temperatures.

Those who talk about a recovery once spring arrives are trying not to dwell on the region's high unemployment rate, which in some cities is more than twice the national rate of 8.3%, and the on-going problems in the automobile, steel and related industries—all major Midwest employers.

In the past few years, many small plants have closed their doors forever and larger plants have laid off thousands of workers. Detroit alone has lost 138,000 industrial jobs since 1977 and Chicago about 30,000 jobs, according to the United States Commerce Department. The unemployment rate in Ohio is 30% higher than the national rate.

What this means for restaurants is fewer customers. "Even the people with money are afraid to spend it because they think things are getting worse," one operator said. Another noted that large companies have cut back on expense accounts for their executives, which also spells trouble for restaurateurs.

(Continued on page 94)

Cattlemen step up beef controversy; level new charges

By Ken Rankin

WASHINGTON—Cattlemen are accusing restaurateurs of fighting to keep a system that, the stockmen charge, allows the restaurant owners to buy undesirable, overfat beef carcasses at bargain basement prices.

The current U.S.D.A. beef grading formula encourages ranchers to produce "significant numbers of overfat carcasses" in order to "get a certain percentage of cattle into the 'Choice' grade," representatives of the National Cattleman's Association maintained.

Supermarkets "won't buy this excessively fat, poor-yielding meat because the retail customer won't buy it," and as a result this beef must be "sold at sharp discounts" to be "processed for sale through some restaurants," NCA lobbyists said.

The cattlemen's group leveled those charges during showdown U.S.D.A. hearings in Washington on the department's plan to slash back on the "marbling" requirements of beef which may be sold as "Prime" and "Choice."

For their part, officials from the National Restaurant Association argued that the blame for overfeeding belongs to the cattle industry itself, and that lowering the quality requirements for Federally graded beef won't stop ranchers from trying to boost their profits by

(Continued on page 93)

Beef producers issue rebuttal to NRA

NRA chairman Walter Conti presides during beef taste test held at the Loews L'enfant Plaza in Washington. Members of the press were asked to compare "Choice" beef under the current standard with a cut that would become "Choice" under the U.S.D.A. proposal.

WASHINGTON—Responding to the National Restaurant Association's publicity barrage attacking U.S.D.A.'s proposal to water down current Government beef quality grading requirements, representatives of the National Cattlemen's Association argued that the department's plan would not create massive supply problems for the food-service industry.

"We recognize the importance of the restaurant industry in marketing our beef—in fact, the away-from-home market in total accounts for 25% of the beef tonnage," National Cattlemen's Association president Sam Washburn told U.S.D.A.

"However, about half of this beef is ground beef, and of the remaining 12½%, only a small portion is heavily marbled beef for the white tablecloth-type restaurants," he maintained.

"We are confident that the

(Continued on page 93)

Beefsteak Charlie's charges into dinnerhouse spotlight

By Roman Czajkowsky

NEW YORK—Beefsteak Charlie's, which only five years ago reorganized under Chapter XI of the Federal Bankruptcy Act, has re-emerged as a major, and still growing, factor in the dinnerhouse segment.

The New York City-headquartered chain, a successor to Steak & Brew, has more than doubled the number of its units over the past four years, and currently operates, manages or franchises a total of 62 restaurants along the Eastern Seaboard.

Of these, 59 are Beefsteak Charlie's (of which three are franchised) and three are other concepts.

With the restaurants averaging about $1.4 million in sales and the expected addition of between 12 to 18 new units this year, Beefsteak Charlie's should cross the $100 million line in 1982.

According to most recent data, total sales in fiscal 1981, ended Oct. 31, were $87.9 million, an increase of 81% over fiscal 1980.

Income before an extraordinary item—a $1.1 million operating loss tax benefit carry forward—was $2.14 million, an 88% increase over 1980.

To analysts, the balance sheet looks attractive in other respects as well. For example, Beefsteak Charlie's has a relatively low level of long-term debt, and a portfolio of real estate leases in prime commercial areas that should permit financial and operating flexibility.

Beefsteak Charlie's all feature steak, other beef specialties, barbecued baby back ribs, chicken and seafood. The company's strategy has been to design and price the menu for volume; most restaurants fea-

(Continued on page 94)

Lobbying effort in Ohio

Soda tax compromise proposed

COLUMBUS, Ohio—Ohio restaurant operators are pushing new compromise legislation to apply the state's controversial "soda tax" equally on all soft drink products.

The new bill, which has the backing of the Ohio State Restaurant Association, would repeal the current $2.75 per gal. tax on "post-mix" soft drink syrup and replace it with an across-the-board tax of one tenth of 1¢ per ounce on all soft drinks—including bottled and canned sodas.

Ironically, Buckeye food-service operators are lobbying for the tax change despite a state court ruling earlier this year declaring the original Ohio syrup tax unconstitutional.

State revenue officials are continuing to collect the soda tax while that decision is being appealed, and Ohio restaurateurs suspect that the ruling will ultimately be reversed.

"Our people are simply not willing to continue paying this burdensome and discriminatory tax for years while this case winds its way through the appeals courts," OSRA executive secretary Robert Henry told *Nation's Restaurant News*. "We would rather compromise now on a revised tax formula that would treat all soft drink products equally."

The association's proposal would accomplish that without reducing tax revenues for Ohio, which is already facing a $983

(Continued on page 93)

LATE NEWSBREAKS

Roger Kisiel and Ralph Peterson, both former Hardee's executives, have been named Sambo's president/chief operating officer and executive vice president/chief financial officer respectively. The moves came as Robert Luckey, former Chart House president and ceo, began organizing his new Sambo's management team as chairman and ceo. Kisiel, 43, was Hardee's operations senior vp and then briefly was president of Chart House's Luther's barbecue chain. Peterson, 47, was former chief financial officer and then Stop & Shop Co.'s financial vp the last few years. (Earlier story, Page 3.)

Testing of the McRib barbecued pork sandwich, McDonald's newest menu item, has been expanded beyond its Kansas City and southern California base to several other market areas, including the New York region.

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A&W takeover by mall developer finalized

TROY, Mich.—In a long-anticipated move, United Brands finalized the sale of its 900-unit A&W chain to a major shopping mall developer, Taubman Investment Co. Price was undisclosed.

A. Alfred Taubman, under the auspices of Taubman Investment, negotiated the terms of the sale over the last six months. The Taubman Co. manages 22 shopping malls across the country; Taubman sits on the United Brands board of directors.

Former A&W president Frank Dwyer will be a consultant for the company until March. Taubman has appointed Jerry Hoskins, a newcomer to the food-service industry, as executive vice president and acting president.

"We hope to capitalize greatly from A&W's tremendously good name," Hoskins said. Acknowledging the diversity of the chain's restaurants, which span the gamut between sit-down restaurants, drive-ins and snack shops, he averred that "the A&W concept is broad enough to accommodate all of the forms it has taken over the years."

But he said that the company's development of new restaurants would probably tilt toward the new "healthy and natural" concept of menu and decor now testing at a few units.

The sale effectively puts an end to speculation that A&W would be merged with the faltering Wuv's chain, which has filed a Chapter XI petition for reorganization of debts.

Taubman is known as one of the few United Brands board members who believed that the long-troubled A&W chain could become profitable if the parent corporation made significant investments in its development. But the board, reportedly, did not endorse this view, and the chain has languished, losing more than 1,000 units over the last several years and sustaining one of the lowest average annual unit sales figures among major chains in the industry: $180,000.

Soon after acquiring the company in 1973, United Brands began to market canned root beer under the A&W name in supermarkets. The item has reportedly been among its most profitable.

The corporation was, reportedly, further deterred from investment in the A&W division

(Continued on page 93)

A. Alfred Taubman
Taubman Investment

Forecaster at COEX sees better times for food service

By Charles Forman

MIAMI BEACH—Better times for food service should be just down the road, according to leading economic forecaster Lawrence Chimerine, Chase Econometrics board chairman.

The United States economy's "underlying fundamentals are brighter now than at any time in the last four years," Chimerine told food-service manufacturers and operators gathered at the Fountainbleau Hilton here last month for COEX '82, sponsored by the International Foodservice Manufacturers Association.

"It is characteristic of these fundamentals that they are particularly favorable for food service," Chimerine said.

He told the manufacturers and operators that energy prices are going down, inflation has moderated dramatically, food prices are stable, productivity is starting to go up and consumer spending has held up well through a recessionary period.

There's a wild card, though, in the hand he sees being dealt United States business, Chimerine warned. That's the disposition of the projected $92 billion deficit in President Reagan's budget.

"If the unbalance in the proposed Federal budget is not scaled back, interest rates will rise to new record heights and the recovery will be aborted," he predicted.

Chimerine said he felt an acceptable compromise on the budget deficit would, in fact, be reached later this year.

"You are going to see a big rise in consumer spending," he forecast.

(Continued on page 94)

Fast Food Operators Inc., a Popeyes' franchisee, and Horn & Hardart, an Arby's franchisee, share a midtown Manhattan building. Each acquired half the lease from a clothing store which went out of business.

High N.Y.C. rents put pressure on restaurant operators

By Joe Edwards

NEW YORK—With rents in midtown Manhattan as high as $60 per square foot, food-service operators are facing extreme sales and profits pressures. In some cases, though, they are taking advantage of new opportunities brought about by soaring real estate values.

Benefiting most are the older, New York-based operators who own property or hold long-term leases negotiated when rents were much cheaper. Some actually are realizing heftier profits by shutting their restaurants and selling or subleasing their sites to other retailers.

For the majority of operators, the key to success in New York is building unit sales volumes. Annual sales of $1 million for a midtown fast feeder often are not good enough to break even.

Compounding the cost-related problems of doing business in New York City is the low vacancy rate in Manhattan's choice commercial neighborhoods. Sites are so scarce then even dingy storefronts in old buildings command rents as high as $25 per square foot.

High rents and low vacancies are facts of life in many American cities, but nowhere do they seem as acute as in Manhattan. "I spend one full day a week looking at sites and about 10% of every day talking to brokers," Aaron R. Fodiman, a Popeyes' franchisee, told *Nation's Restaurant News*.

"We think about it all the time," said Fodiman, who oper-

(Continued on page 94)

Operators face restraints with budget cuts

By John Friedman

WASHINGTON—President Reagan's new budget could impose financial restraints on the restaurant industry, beyond burdens the estimated deficit of at least $92 billion is expected to place on the nation's economy.

Restaurant officials are particularly concerned about Reagan's proposals for fiscal 1983 to sharply limit the use of Industrial Development Bonds (IDB's). McDonald's and other chains have systematically taken advantage of these bonds to underwrite their growth.

In 1979, for example, McDonald's used the low-interest bonds to construct over 30 fast-food units in Pennsylvania and Ohio alone.

Issued by states and municipalities to encourage growth, interest from IDB's is tax-free and therefore below most market-rate levels.

The Reagan Administration is proposing that beneficiaries of the bonds choose between the bond's tax benefits or the new depreciation schedule in the 1981 tax legislation. Otherwise, firms can benefit from so-called double dipping.

Treasury Secretary Donald Regan recently pointed out that companies should have to use the "old type of accounting" if they want the benefits of the IDB's. If they choose to use the accelerated cost recovery system of the 1981 tax act, they should be prohibited from using the bonds, he suggested.

Under the Administration's new budget proposals, IDB's issued after 1982 must be depreciated using the straight line method. Furthermore, IDB financing will be limited to bonds that are publicly approved, and, after 1985, they must receive a financial commitment from the local government.

The President's budget also notes that "small issue industrial development bonds will not be allowed for large businesses."

Restaurant and retail industry lobbyists are also worried about proposals currently being considered by Congress that would prohibit retailers from using IDB's except for new locations in depressed areas. Retailers complain that such restrictions would be discriminatory.

The Congressional Budget Office claims that if the growth of these bonds is not checked, they could add $2.6 billion to the Federal deficit by 1986.

In its plans for depressed areas, the Reagan Administration is still working out the details for its so-called urban enterprise zones. Under the plan, the Administration is expected to offer a 50% wage credit to employers who hire workers under the Comprehensive Employment and Training Act (CETA) program.

Other benefits would include a special 25% investment tax credit; new Federal tax credits equaling 10% for businesses—15% for individuals—located in the zones, and a 50% exclusion on loans to firms in the zones.

Some 25 zones a year for the next three years would be created if current Administration proposals become final. This urban enterprise plan may, therefore, become a partial substitute for the present Targeted Jobs Tax Credit program, due to expire at the end of this year

HIGHLIGHTS IN THIS ISSUE

Budget steakhouse chains are blazing new trails, discovering what was popular in the 60's is changing in the 80's. In this issue, *NRN* explores new strategies resulting from tough economic conditions. *Pages 39 to 44.*

With robots scurrying around as waitresses and cooks what happens to the human element of food service? In an editorial, *NRN* editor Charles Bernstein warns opertors about the pitfalls of dehumanizing operations. *Page 6.*

"Tastes of the World," at the '82 World's Fair in Knoxville, Tenn., underlines what promises to be a boost to area restaurant sales. *Page 18.*

Brandy's emerging popularity after many static years is explained by *NRN* Wine and Spirits columnist Mort Hochstein. *Page 32.*

A mirrored-kitchen design is boosting sales beyond $7 million at Garcia's of Scottsdale's Mexican dinnerhouses. *Page 36.*

Ailing airlines are attempting to draw more passengers with more fare cuts and promotions. *Page 15.*

"Great Restaurant Innovators: Profiles in Success," by *NRN* editor Charles Bernstein, offers composite portraits of pioneers in the industry. In this issue, former *NRN* editor Ben Gordon reviews the book. *Page 53.*

Burger Chef founder Frank Thomas Jr. discusses his 28-year-old chain and where it's heading. *Page 54.*

Marketing expert Barry Klein advocates the long-term benefits of research, in his fourth in a series of marketing memos. *Page 34.*

Understanding crowd behavior unravels mysteries associated with feeding fans in stadiums. *Page 23.*

Despite an offbeat location, Joanna's is posting sales of $3 million in its first year of operation. *Pages 65 to 66.*

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FINANCIAL NEWS

Holiday Inns' profits climb 11.7% in 4th quarter

MEMPHIS—Holiday Inns Inc., the diversified hospitality company based here, has reported an 11.7% increase in net income to $13 million for the 1981 fourth quarter ended Jan. 1, 1982. Revenues rose 4.4% to $423.8 million compared to the same period a year earlier.

Net income for the year jumped nearly 27% to $137 million on a 15% rise in revenues to $1.7 billion.

The gains were attributable to increased capacity and improvement in Holiday Inns' gaming operations and to margin improvements in the hotel group, according to Michael D. Rose, president and chief executive.

The gaming group, which includes hotel-casinos in Atlantic City, N.J., and Las Vegas, Reno and Lake Tahoe, Nev., "substantially increased its contribution to corporate earnings by more than doubling operating income," Rose said. Harrah's Marina, the company's hotel-casino in Atlantic City, accounted for much of the growth in its first full year of operation, he added.

Holiday Inns hotel operations improved margins despite lower occupancy levels. Increased profitability at company-owned domestic properties, gains on asset dispositions and higher franchise revenues accounted for the hotel group's positive performance, Rose said.

The occupancy rate at Holiday Inns' company-owned hotels dropped to 69.2% in 1981, compared to 71.5% in 1980, a spokesman said. Occupancy rates for the entire Holiday Inns' system worldwide have not been compiled yet.

Perkins Inc., Holiday Inns' Minneapolis-based restaurant subsidiary, posted gains in operating income to $6.5 million and in operating revenues to $96.3 million for the year. Comparative figures were not available.

Hotel revenues dropped 10% in the fourth quarter.

Fourth quarter operating income increased 27%, led by an $8.9 million improvement at Harrah's Marina. The fourth quarter gains were aided by $5 million of favorable adjustments to steamship voyages completed in previous years.

Despite higher operating income, pretax income for the 1981 fourth quarter dropped $1.9 million to $16 million due to higher corporate expense and interest.

General Cinema invests in Heublein

FARMINGTON, Conn.—General Cinema Corp. has purchased 9.7% of Heublein's common shares for an estimated $75 million. General Cinema indicated it plans to purchase at least 5% or 6% more of the stock but insisted the entire move was for "investment purposes."

Heublein earlier denied reports it was involved in merger talks with R. J. Reynolds Industries. Heublein said it had no interest in being acquired by anyone and that its strategy is to acquire other companies.

Based in this Hartford suburb, Heublein owns the KFC Corp. and is a leading liquor and wine producer. General Cinema, based in Boston, is the largest movie theater chain and soft drink bottler.

General Cinema previously sold a 5% interest in Columbia Pictures to the Coca-Cola Company.

Food-service chain stock analysis table

Two Weeks Ended Feb. 26

Name	Symbol	STOCK PRICE High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt		5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd Rate Amt	Indicated Dvd Rate Yield	Last X-Dvd Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
		$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%		$	%		$ Mil	$ Mil		$	$	
Aca Los A Res	ALAR	5.75	5.63	5.63	-.38	-6.25	10.63	5.38	-1.18	.18	-1.50	26.62	.34	.02 N	5.8	14.0	5.8	15.6	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	15.38	14.13	14.38	.25	1.77	21.88	10.00	-.23	-.59	-3.35	-1.42	1.67	.40 F	31.4	73.0	6.3	8.6	.20	1.4	07-27-81	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	28.75	25.25	28.13	3.13	12.50	37.25	23.75	.17	1.52	.44	-8.01	4.00	-1.20 F	-23.0	4.0	1.5	7.0	2.00	7.1	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.00	4.88	5.00	.13	2.56	8.63	4.38	-.34	.07	1.01	30.25	.80	-.37 N	-36.6	-2.0	3.3	7.8	.12	2.4	12-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.38	3.13	3.25	-.13	-3.70	4.88	1.63	-.46	1.05	.44	2.14	.47	.14 S	31.8	41.0	2.3	5.6	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	22.00	20.50	21.25	1.00	4.94	22.69	15.19	.08	-.95	.57	-32.49	1.35	.29 S	26.1	33.0	9.1	15.2	.40	1.9	09-21-81	125.2	11.4	1.7	0	5	0480
Bonanza Intl Inc	BNZA	1.88	1.50	1.50	-.38	-20.00	6.88	1.50	-.65	-2.73	2.59	-1.55	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	16.88	14.00	16.88	2.75	19.47	16.88	6.00	.92	3.47	-1.68	42.13	.44	.08 N	20.0	28.0	4.2	35.2	.08	.5	08-11-81	104.3	4.4	1.0	8.5	3	1280
Calny Food	CLNY	11.50	10.75	11.00	-.50	-4.35	15.50	8.50	-.42	.77	4.16	49.02	1.35	-.07 S	-4.5	8.0	2.2	7.5	.20	1.8	10-28-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	5.50	5.13	5.38	-.09	-1.71	10.00	3.97	-.48	.06	-3.69	-83.33	.86	.44 Q	74.5	34.0	2.4	5.2	.09	1.7	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.38	20.13	20.38	.13	.62	22.88	10.06	.13	.03	.33	41.39	1.75	.28 N	16.5	12.0	4.9	10.3	.60	2.9	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	21.13	18.13	21.13	2.63	14.19	27.25	11.94	-.10	.83	5.62	18.93	.46	.34 Q	161.9	35.0	12.9	38.4	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.88	12.63	13.50	.13	.93	13.88	6.00	-.06	.99	-3.17	33.68	.66	-.03 F	-4.3	8.0	2.7	20.5	.40	3.0	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	27.75	25.50	26.00	-1.13	-4.15	37.38	23.25	-.17	.18	6.15	-13.73	3.01	.55 N	18.7	24.0	9.9	7.5	.84	3.2	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.00	3.00	3.00	.00	.00	4.63	1.50	.39	11	.98	11.82	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	14.63	11.75	13.00	1.13	9.47	14.91	7.13	.09	-1.34	-1.84	-11.60	1.56	.23 Q	15.0	10.0	2.8	7.4	.24	1.8	10-26-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7.50	6.88	7.25	-.50	-6.45	10.13	5.00	-.05	-.65	4.42	-8.81	-.08	.07 Q	NC	NE	-1.5	103.6	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Dennys Inc	DEN	31.75	29.00	30.13	.50	1.69	31.75	17.13	-.09	-.85	-2.20	-1.81	2.96	1.12 Q	54.6	5.0	3.2	9.5	.88	2.9	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.25	13.63	13.75	.13	.92	18.25	9.34	-.12	-1.09	-1.38	-5.65	1.53	.35 N	24.6	21.0	8.2	7.8	.30	2.2	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.41	7.50	8.00	-.19	-2.29	8.66	4.56	.01	.21	-2.54	26.80	1.39	.67 Q	65.6	13.0	3.0	4.7	.35	4.4	11-30-81	97.0	2.9	1.2	7.2	13	0581
Gines	GNO	20.13	15.00	18.25	1.50	8.96	20.13	6.75	.93	-1.09	-.21	27.76	1.67	.47 N	470.0	-5.0	1.4	32.0	.44	2.4	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.75	6.75	6.75	.00	.00	9.00	6.25	-.18	.05	1.60	.00	.27	-.95 F	-77.8	-16.0	.7	25.0	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	2.88	2.25	2.50	-.38	-13.04	11.25	2.25	-.59	-2.05	.00	-4.60	.44	-.20 N	-34.4	-10.0	8.6	6.6	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	41.63	39.00	40.63	1.75	4.50	52.25	33.25	.03	-.09	-.02	9.01	4.00	.21 N	5.3	35.0	20.3	9.9	1.80	4.4	12-14-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	30.13	27.75	28.25	-1.13	-3.83	33.25	21.13	.13	-1.52	-1.22	34.57	2.92	.69 N	23.6	28.0	7.1	7.8	.74	2.6	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	44.50	44.50	44.50	1.50	3.49	48.75	32.25	.32	.09	-1.45	-50.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	14.63	13.25	13.88	.63	4.72	19.38	8.00	.99	-.95	1.67	2.95	.96	.10 N	10.1	42.0	3.1	12.7	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	29.50	27.25	28.75	6.75	30.68	29.50	12.00	1.94	1.19	5.81	36.98	2.74	-1.82 N	-62.1	4.0	3.9	25.9	.60	2.1	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	7.00	7.25	.25	3.57	9.38	5.25	-.04	.05	1.20	22.00	.92	.13 F	16.4	64.0	3.2	7.9	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.38	1.19	1.25	-.06	-4.76	2.00	1.06	.34	-2.76	.67	-63.27	.62	-.15 S	-21.1	28.0	2.1	2.2	.16	12.8	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.75	11.50	11.50	-.25	-2.13	13.25	8.13	-.47	.12	1.30	-4.00	1.34	.30 N	22.7	51.0	6.1	7.1	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.38	2.38	2.38	.13	5.56	3.38	1.75	.84	.14	-2.55	-45.71	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	4.00	3.50	3.63	.13	3.57	4.50	2.63	.95	-2.79	3.75	-43.75	.63	.63 F	NC	1.0	3.0	5.8	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	21.25	19.25	20.88	1.00	5.03	27.63	14.19	-.22	-.27	.86	-40.25	1.70	.45 Q	32.6	24.0	5.6	11.4	.12	.6	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	3.88	4.13	.00	.00	4.38	3.25	-.20	.24	3.83	-16.22	-.25	-.51 F	-196.1	-23.0	-2.9	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.75	13.75	15.75	2.00	14.55	16.25	10.75	-.14	.58	2.34	-29.88	.58	.74 S	NC	148.0	5.9	21.3	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.88	1.50	1.75	.00	.00	9.00	1.50	-1.52	5.33	-.59	-19.93	-.60	-.60 Q	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	27.00	26.50	26.50	-.50	-1.85	28.25	17.00	-.30	-.46	-3.17	2.40	1.45	.27 F	22.8	24.0	8.9	18.3	.48	1.8	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	6.38	5.88	6.38	.50	8.51	7.28	5.00	.15	2.11	-6.31	15.09	1.15	.08 Q	7.3	7.0	5.8	5.4	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	35.50	32.50	35.50	1.88	5.58	47.00	27.88	-.16	.40	-.50	-33.78	2.60	.59 N	23.9	28.0	4.2	11.6	.30	.8	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	68.50	64.00	66.00	-1.50	-2.22	72.88	44.38	-.31	-.63	-2.25	33.97	5.49	1.03 N	19.4	19.0	10.1	10.4	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	8.63	8.50	8.63	.00	.00	13.88	8.25	-.52	.16	2.46	18.32	.95	-.04 Q	-4.0	6.0	3.9	9.1	.32	3.7	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.13	2.25	.13	5.88	4.75	2.13	-1.23	.90	6.52	1.40	.22	.04 F	22.2	43.0	.5	10.2	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.25	1.25	1.25	.00	.00	2.38	.88	.84	.00	3.89	24.42	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.00	9.25	.25	2.78	12.25	9.00	-.14	.66	12.56	87.50	1.28	.71 N	63.3	19.0	1.0	5.1	.32	3.5	09-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	11.38	9.75	10.75	.75	7.50	11.38	5.00	.94	2.10	6.99	38.40	1.05	.55 F	110.0	23.0	5.2	10.2	.20	1.9	11-19-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	15.25	14.75	15.13	.38	2.54	19.00	11.88	.02	-.07	-2.44	-15.63	1.30	.21 Q	18.4	15.0	6.1	11.2	.48	3.2	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.13	6.50	6.88	.25	3.77	11.50	3.88	-.07	-.67	-.27	-8.58	.59	.08 N	14.5	-2.0	1.4	10.9	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	16.25	14.25	15.38	.38	2.50	19.75	9.88	-.02	-.15	-1.44	14.12	.60	.41 N	39.4	3.0	.8	10.6	.40	2.6	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	7.38	6.13	7.00	.88	14.29	12.50	5.25	.43	.48	2.79	.23	.53	.70 N	184.2	33.0	4.1	6.5	.12	1.7	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.88	4.50	4.63	.00	.00	8.25	3.13	-.41	.42	-.44	-50.00	.64	.39 N	60.0	29.0	1.6	4.4	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	20.50	18.75	20.50	1.50	7.89	23.75	7.25	-.14	2.05	-1.42	-8.08	2.36	1.05 Q	68.6	15.0	1.4	7.9	.44	2.1	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rests	SRI	2.00	.63	1.25	-.88	-41.18	6.25	.63	-2.68	4.00	6.81	-41.17	-1.05	2.34 N	NE	-55.0	-2.4	2.1	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
SeaGalley	SEAG	9.38	9.00	9.25	.25	2.78	17.88	5.16	.03	.61	.27	-18.49	.55	.69 N	NC	53.0	5.7	13.4	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.50	7.50	8.50	.75	9.68	13.00	7.00	-.10	2.20	-1.34	-32.20	1.10	1.34 N	183.5	22.0	2.5	4.1	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	15.00	13.63	15.00	1.50	11.11	15.00	9.75	.09	.96	.10	11.81	.83	.16 N	19.7	20.0	5.6	15.5	.16	1.1	10-13-81	210.6	11.8	1.0	1.2	4	1080
Sonesta Hotel	SNSTZ	10.50	10.25	10.50	.25	2.44	15.00	9.16	-.14	.58	2.14	22.58	2.24	.09 N	6.2	80.0	3.6	6.9	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2.69	2.63	2.69	.00	.00	3.25	1.44	-.50	.50	-.33	-10.88	.06	.09 F	NE	-30.0	.5	44.8	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Treadway	TCO	.00	.00	12.25	.00	.00	12.38	6.25	-.16	.05	-19.35	.00	.70	-.30 N	-29.7	8.0	4.4	17.3	.28	2.3	06-29-81	22.7	1.0	.6	5.6	7	0880
Valles Steak	VLE	6.50	5.88	6.00	1.00	20.00	7.63	4.25	.74	.06	4.81	29.00	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	8.50	8.00	8.38	.38	4.69	11.25	6.13	-.33	.52	-5.91	-9.77	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.50	7.75	8.25	.50	6.45	8.88	4.63	.08	-.28	4.31	-14.96	-.05	.43 N	NC	-2.0	-.2	19.2	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	15.13	14.50	14.75	.00	.00	19.38	8.59	-.61	-.16	.31	-31.04	1.34	.32 N	27.3	30.0	8.7	9.9	.28	1.9	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.75	7.13	7.50	.38	5.26	13.63	6.50	-.18	.00	1.04	-11.44	-.49	-.81 N	-77.8	-42.0	-.9	32.6	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA Not Applicable NC Not Calculable NE Negative Earnings Q First Quarter S Six months N Nine months F Fiscal year
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Earnings climb 74% at Sea Galley Stores

MOUNTLAKE TERRACE, Wash.—Sea Galley Stores, operator of 37 Sea Galley restaurants and six Family Fish House restaurants, reported that for the year ended Dec. 31 net profit rose 74% over 1980 to $2.2 million.

Sales jumped 114% to $49 million.

These results reflect the company's performance during the fourth quarter ended at the same time, when net income rose 58% to $536,778 on a sales increase of 90% to $12.8 million.

The company opened 11 Sea Galley restaurants in seven western states during 1981, including five in western Washington where it already operates several restaurants.

It also acquired the 31-unit Family Fish House chain located in the mid-Atlantic states from the Macke Co., selling several units for a sum greater than the total acquisition price.

The company recently announced the acquisition of a seafood processing plant in Alaska and a meat processor and distributor based in the Pacific Northwest.

Six new restaurants are now under construction, while a Family Fish House unit in Maryland is being converted to the Sea Galley concept.

Skipper's profits rise 24% for fiscal '81

BELLEVUE, Wash.—Skipper's Inc., operator and franchisor for 117 Skipper's Seafood 'n Chowder House restaurants, reported net profit of $953,000 for fiscal 1981, a 24% increase over the prior year.

Sales increased 12% to $34 million.

The company's third consecutive annual increase in total revenues and net income was attributed to the high perceived value offered by Skipper's restaurants and an all-you-can-eat promotion.

The company, according to president M. Eugene Stone, will continue a modest pace of expansion set by 1981, when only two new units opened.

Skipper's owns 107 of its restaurants in the Western United States and in British Columbia, and franchises another 10.

Food-service net up 38% at PepsiCo

PURCHASE, N.Y.—PepsiCo Inc.'s food-service division reported operating profits rose 38% to $82 million for the year ended Dec. 28, 1981. Its 1980 operating profits were $60 million.

Revenues were up 23% from $872 million to $1.069 billion for the division which is made up of Pizza Hut and Taco Bell. According to the company, average sales per unit for the pizza chain and Mexican fast-food operations grew by 18% on a combined basis.

Pizza Hut paced its segment's performance with significant growth in average store sales.

Pamex earnings soar 123%

FORT WORTH—Pamex Foods Incorporated reported net earnings for the first quarter of fiscal 1982 increased 123% to $128,863 up from $57,747 for the same period in 1981.

Revenues for the company, which operates Pancho's Mexican Buffet, were $5.5 million compared with $5 million the previous year's quarters, an increase of 10%.

In addition to Pancho's Mexican Buffet restaurants, Pamex also operates Spanish Galleon Seafood restaurants.

NRN
studies
UPSCALE STEAKHOUSES
Coming soon

EARNINGS REPORT

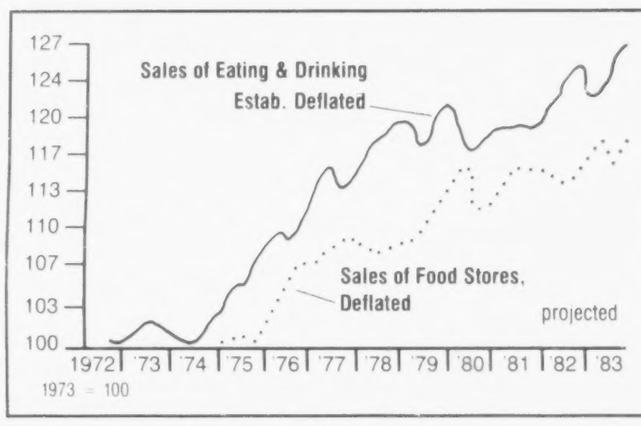
Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Associated Hosts	3 mos.	12/26			$ 19.959	5	$ 0.584	94
Beefsteak Charlie's	1 yr.	10/31			87.896	81	3.264	57
General Host	1 yr.	12/31	$497.628	17			13.968	3,266
	3 mos.	12/31	163.943	22			16.881	**
Mr. Steak Inc.	3 mos.	12/27			13.688	2	0.102	23
Nathan's Famous Inc.	9 mos.	12/31			14.094	– 23	0.584	335
	3 mos.	12/31			4.032	– 14	(0.083)	—
Sea Galley Stores	1 yr.	12/31	49.004	114			2.205	74
	3 mos.	12/31	12.820	90			0.537	58
Skippers	52 wks.	12/27			33.991	11	0.953	24
	16 wks.	12/27			10.610	8	0.257	– 43
Wendy's Int'l	1 yr.	12/31			490.429	40	36.852	22
	3 mos.	12/31			137.721	43	9.460	19

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
***loss in previous period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

L/F ECONOCYCLE

See first 'real' gains emerging in May



Eating & Drinking Estab.

Sales Change By Quarter

	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	12-Month % Change '80 %	'81 %	'82* %
Sales include Inflation	7.4	11.4	10.0	9.8	8.3	7.6	11.4	10.9	8.7	9.6	9.6
Real sales (Deflated)*	– 2.1	2.1	1.1	1.6	1.8	0.9	4.1	3.3	– 0.7	0.6	2.5

Base = Dec. 1981 Sales
*Projected

After months of nagging pessimism, consumers seem to be turning confident about the economy again. But they still aren't ready to shell out hoarded disposable dollars for major purchases any time soon, according to the latest soundings of the Conference Board.

This outlook goes hand-in-glove with current Econocycle projections for general retailing over the next few months.

Consumer spending gains will probably be modest at best, the new Conference Board study indicates. Its latest consumer confidence index reading (calculated on a 1969-70 base of 100) moved up to 61.2 in January, an increase of 1.8 points over December.

The turnaround in attitude hints at an improving economy and mirrors L/F's own spending indicator (below) which now sees a clear "recovery path" opening up for general retailing in the second quarter—although at a slower pace until year-end.

The L/F Econocycle projection for food service shows sales picking up steadily and posting gains of 1% starting next month. The outlook for eating out, in fact, looks exceptionally good this year, according to the computer model.

General retailing, on the other hand, will be off 1%-2% next month, roughly half the rate of decline in the first three months of the year. The overall retail economy should have a healthier glow as sales continue to nose upward in the 2nd period, with assists from other key categories:

- Apparel specialists have already turned the corner on '82 and are heading toward brisk increases in the second quarter. They'll probably post gains of 1% in March and April, in fact.
- Declines at major department and discount stores are slowing and should start tracking upward with sales gains by May, Econocycle projects.

Spending Indicator
Household Spending
Total Retail Sales, Deflated
projected
1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	9.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.4	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	6.2	7.9	9.8	6.2	5.2	2.5	5.9	5.0	4.6
1982	1Q	3.1	7.6	8.3	10.1	5.4	1.3	2.3	2.5	2.2
	2Q	3.8	7.4	7.6	0.7	5.3	7.5	4.4	2.2	3.8
	3Q*	5.4	8.0	11.4	10.7	6.3	9.3	4.9	6.5	6.7
	4Q*	7.6	9.1	10.9	15.0	6.9	8.1	5.7	10.2	8.8
% change 12 mos.	1980	7.5	10.8	8.7	3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.6	9.6	9.6	6.0	8.6	6.2	8.1	8.6	8.0
	1982	5.0	8.0	9.6	3.6	6.0	6.5	4.3	5.4	5.4

Real Sales (Deflated)*
% Change By Quarter

1981	1Q	0.4	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.4	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	1.2	1.1	0.5	– 1.1	0.6	3.9	3.2	2.5
	4Q	– 0.4	3.0	1.6	– 11.1	– 3.9	– 3.1	2.6	– 0.3	– 0.3
1982	1Q	– 2.4	1.9	1.8	– 13.1	– 2.1	– 4.6	– 0.8	– 2.4	– 2.5
	2Q	– 0.6	1.0	0.9	– 2.9	– 0.3	– 0.2	1.3	– 2.7	– 1.2
	3Q*	2.5	0.9	4.1	3.7	2.1	1.1	2.0	1.3	1.4
	4Q*	5.4	0.4	3.3	5.5	3.0	0.0	2.2	3.6	2.6
% change 12 mos.	1980	– 2.7	3.0	– 0.7	– 12.4	2.5	– 1.4	0.1	– 1.5	– 1.2
	1981	1.5	0.8	0.6	– 1.6	– 1.1	0.4	4.2	2.4	2.3
	1982	1.2	– 0.1	2.5	– 2.2	0.6	– 0.9	1.2	– 0.1	0.0

Base = Dec. 1981 Sales
*Projected

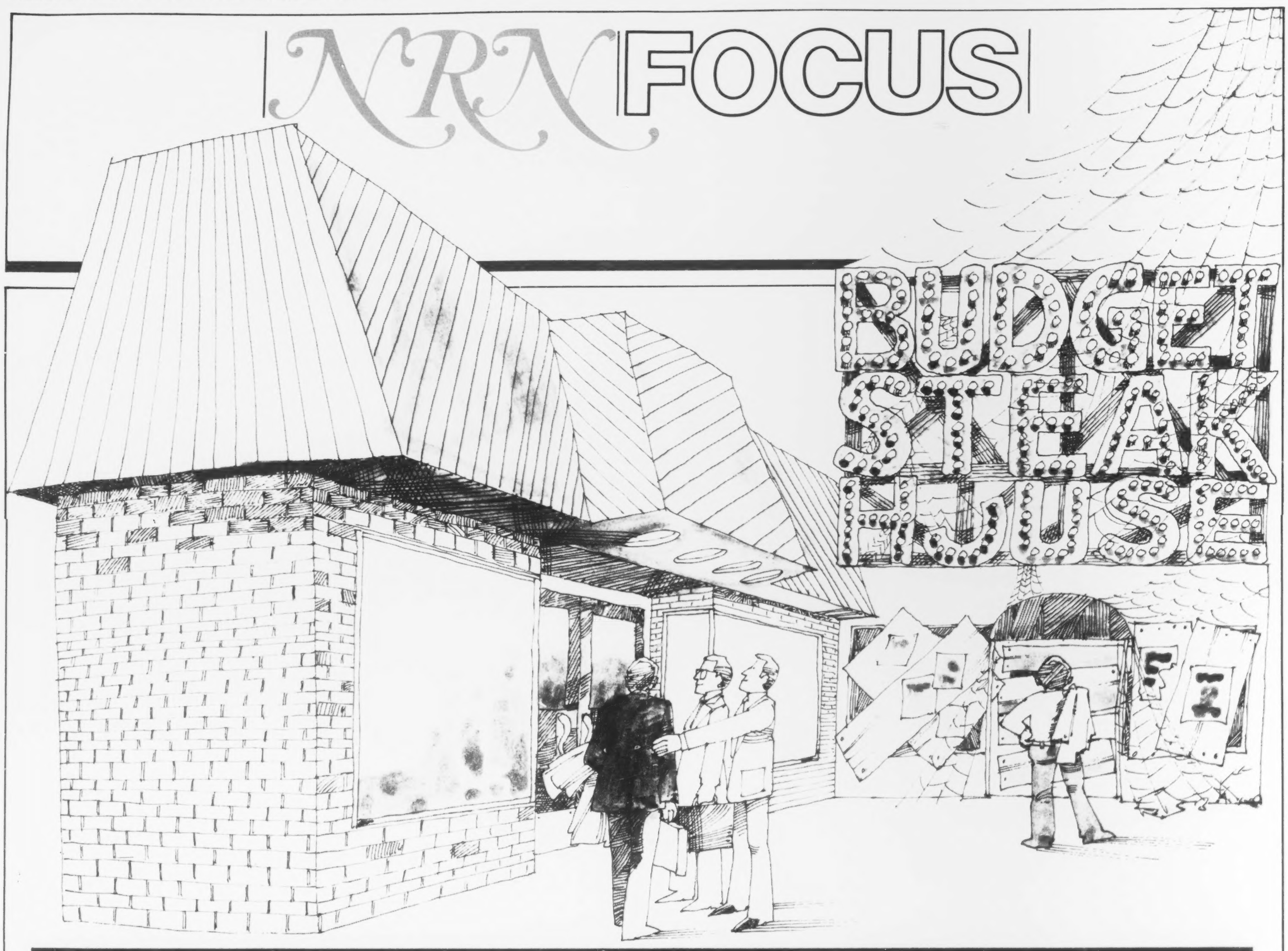
About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

NRN FOCUS



BUDGET STEAK CHAINS

THE DAWNING OF A NEW AGE ?

By Donald Frazier

It was the perfect idea for its time.

The new restaurant concept had everything Americans wanted in the late 1960's. It had the snappy service and low prices of a fast-food restaurant. It had few frills and an informal atmosphere suitable for everyone from young families to senior citizens. And its menu featured an item which has always enjoyed a special place in the American collective palate: steak.

As soon as people discovered they could dine on real *steak* for only a few cents more than they would otherwise spend for the same old tiresome hamburger, they made budget steakhouses some of the hottest draws in the industry. The companies that ran such restaurants prospered mightily.

From 1969 to 1974—the Golden Age of the budget steakhouse—the size of the Bonanza chain nearly quintupled. Ponderosa's net profit leaped by about 90% *per year.*

In those heady days nobody could have suspected that almost all of the major companies in the segment would one day turn away from the original bargain-basement concept. But major changes would occur by 1982. The companies would substitute better cuts of beef for their usually ungraded, tenderized product. They would add nonbeef items to their menus and create new, upscale indentities for their units. They would even devise new restaurant concepts to propel their companies out of the budget steakhouse segment entirely.

None of these ideas, of course, came up during the Golden Age. Back in 1969, Americans loved the budget steakhouse just as they were.

That is, *some* Americans. Nowhere was the concept more popular than in the nation's industrial heartland stretching from the shipping yards of Chicago to the auto plants of Detroit, the factories of Cleveland and the steel mills of Pittsburgh. Americans here in the "Blue Collar" belt were the favorite customers of the budget steakhouse companies for their ever-climbing union-sized paychecks, their big families and, most of all, for their meat-and-potatoes dining sensibility.

As long as the Midwestern industrial worker stayed in clover, the segment could weather everything from rises in the cost of meat to the increasing vogue for lighter entrees, such as chicken and fish.

This best of all possible worlds could not last for long, though, and it didn't.

First came inflation. Inflation begat stagflation, which begat full-fledged recession. Meanwhile, the big industries of the Midwest—autos and steel—were steadily losing ground to foreign competition, higher interest rates and, some said, their own overconfidence. The unemployment lines lengthened, disposable income shriveled. Budget steakhouses suffered dramatic drops in customer counts: anybody will trade down from a budget steakhouse to a burger outlet in hard times, but who trades down from a tablecloth establishment to a budget steakhouse?

Meanwhile, the burger chains had caught on to the tricks which allowed the segment to capture a share of the dinnerhouse market in the late 1960's. They, too, began to diversify their menus.

Never mind that many smaller companies, and outposts of the leaders—mostly in the Sunbelt—were still profiting from the concept. In the heartland, where the lion's share of the segment had been located, a few operators were putting up valiant fights to survive. But most were merely hanging on and the units were one-by-one, closing their doors.

At the home offices: first, griping about the business cycle and a commitment to waiting out the slump. Then, as the slump deepened, panic.

Finally, most operators faced the music. The good old days are gone. If their restaurants are to survive, they have to change.

For the two largest companies in the segment, this means the creation of entirely new concepts. And for almost everybody else,

it has resulted in a steady upgrading of product, decor and service style. The result? The transformed budget steakhouse now has a widely varied menu instead of a list of various steaks, it offers a selection of U.S.D.A.-graded cuts of meat instead of only the least expensive cuts from the least expensive animals heavily tenderized, of course and a cozy atmosphere with soft lighting, carpeting and partial waitress service instead of the old-style linoleum floors, fluorescent lighting and cafeteria line.

All of this means higher prices. But that's all right with most of the operators who are changing their budget steakhouses into something else. The higher prices shift their restaurants into a segment of the dining market that is not as vulnerable to a troubled economy as the blue collar population.

The new upscale strategy has been criticized because it seeks, in effect, to create a new segment and because there is no evidence yet that customers of dinnerhouses and coffee shops are looking for a viable direction to turn to. But the companies themselves are proof that brand-new segments can prosper if they fulfill a hitherto unrecognized need: that's what they did in the late 1960's.

The company which has moved farthest away from the traditional budget steakhouse is one of the segment's earliest trailblazers, Bonanza. With the creation of an entirely unrelated concept—People's restaurants—and the development of an aggressive upgrading scheme for its steakhouses—Freshtastiks's—the Dallas-based operator has apparently decided that the basic concept needs major modification in most of its markets.

The Freshtastik's program, according to marketing vice president Jeff Rogers, is a package of decor and menu improvements aimed at attracting health-conscious diners to Bonanza units, thus increasing their sales.

(Continued on page 41)

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NRN FOCUS

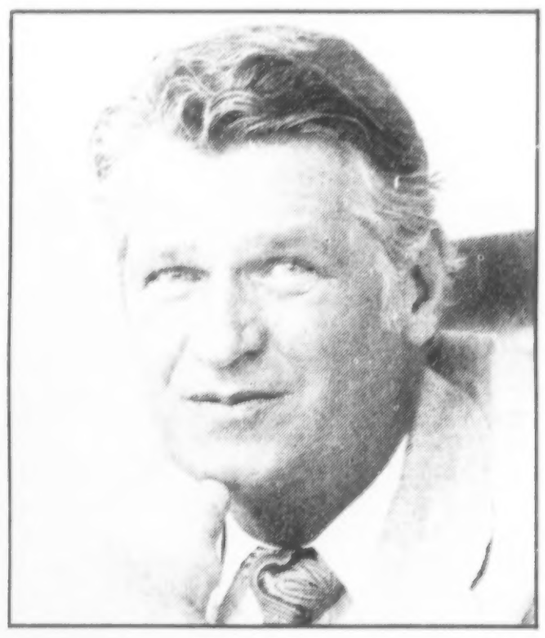
BUDGET STEAK CHAINS

Changing conditions dictate new orientation

THE BUDGET STEAK PICTURE

Company	Ownership	HQ City	Units	Average 1981 Units Sales (000)	Average 1975 Check	Average 1981 Check	% Change
Bonanza	Public	Dallas	604	$ 575	$2.30	$3.50	52
Golden Corral	Private	Raleigh, N.C.	186	665	2.20	4.45	102
Mr. Steak	Public	Denver	271	600	2.50	5.37	86
Ponderosa	Public	Dayton, Ohio	698	676	2.15	3.95	84
Quincy's	Spartan Food Systems	Spartanberg, S.C.	105	825	—	4.75	—
Rustler	Marriott	King of Prussia, Pa.	113	632	2.20	4.25	93
Sirloin Stockade	Lucky Stores	Oklahoma City, Okla.	117	1,200	2.25	4.10	82
Sizzler	Collins Foods	Los Angeles	472	750	3.50	5.75	64
Western Sizzlin'	Private	Augusta, Ga.	575	600	2.50	5.50	120
York	General Mills	Columbus, Ohio	135	850	—	5.70	—

Source: *NRN* Research



Bonanza is blazing new ground in the steakhouse segment with two innovative concepts—Freshtastiks and People's. With a new all-you-can-eat food bar, Freshtastiks appeals to health-conscious customers by stressing the freshness and wholesomeness of the food. Under the guiding hand of former Bonanza chief executive Don Thompson (above), People's, an independent company wholly owned by Bonanza, is a family-type addition to the booming market in casual theme establishments.

(Continued from page 39)

The centerpiece of the program is an all-you-eat food bar featuring diverse items such as salads, cheeses, breads, fresh vegetables, fruits and desserts. Although units which have adopted the program are supposed to downplay the importance of steaks to the Bonanza concept, they are also to switch to a higher grade of beef to satisfy the presumably health-conscious customer.

Rogers has said that the concept originated with his company's perception that healthful dining does not necessarily imply the so-called "health food." "We wanted everything about this concept to stress the freshness and wholesomeness of the ingredients," he has said.

Most of the units converted to the Freshtastik's concept were among ther company's low-volume, marginally profitable restaurants. These units have reportedly experienced sales increases of as much as $2,000 to $3,000 a week. About 200 of the more than 600 Bonanza units have reportedly installed the concept.

Demographics may contribute in part to the success of Freshtastik's where it has appeared. The concept reaches out to a group of customers who have never before patronized Bonanza in great numbers, among them women, young singles and the business lunch crowd.

But the structure of the Bonanza system may complicate management's plans to roll out the concept. The steakhouses are entirely franchised; each franchisee must approve of the relatively complex concept before it is installed.

As the steakhouses change, the company's management lavishes attention on the People's restaurants, an entirely different concept developed over the last few years. The People's division recently became an independent company wholly owned by Bonanza, selling its own stock. And former Bonanza chief executive Don Thomson personally guides it as president.

The People's concept, devised by Texas restaurateur Mitch Katz, is now vice president of the new company, response to three food trends sweeping the country over recent years: health-conscious dining (again), the vogue of "fun"-type foods, and eclecticism in menus. It is a family-type addition to the booming market in casual theme establishments, such as the Houlihan's chain run by Gilbert/Robinson, and the Bennigan's concept operated by Steak & Ale.

The People's concept was also developed as a forward-looking use for closed Bonanza units, taking advantage of their valuable and well-chosen sites instead of selling them off.

The restaurants are decorated with photos of celebrities and fitted with bar stools shaped like human feet. This, according to Katz, helps create a "lively, upbeat" feel.

The menu also contributes to this feel by featuring "fun" foods such as potato skins and nachos.

The units are equipped with an

(Continued on page 42)

Unemployment strips chains of clientele

Most of the frenetic activity in the budget steakhouse segment—moves to the Sunbelt, the development of new concepts, the refurbishing of old ones—seems based on one premise: the industrial economy of the United States has faltered, and it's going to get worse.

This, according to analysts at the U.S. Department of Commerce in Washington, is not to say that the market of the future will not have heavy industry or that even that the economy of the industrial heartland will not recover.

But it does suggest that those people who once worked in the region's factories in the millions will never again constitute a rich and concentrated market for budget steakhouses in that part of the country.

Manufacturing employment in the United States has suffered only a slight loss in the last five years. But the states of the industrial heartland have lost a disproportionate share of those jobs.

Even more are lost only to be replaced by other jobs in other parts of the country, usually the Sunbelt, according to statistician John Stinson.

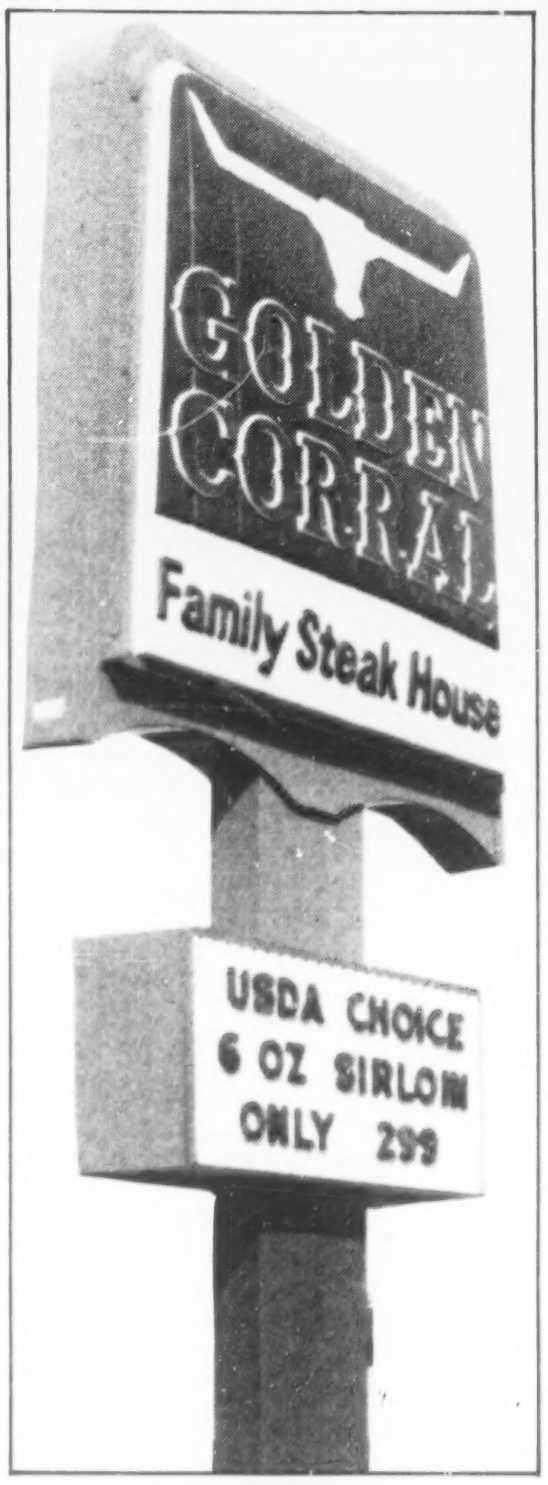
He characterizes the recent spate of unemployment as structural instead of cyclical in its nature. This means that industries are no longer simply laying off surplus workers for a finite period of slack operations, but that they are now sloughing off the core of workers they would need if they were to resume effective operations in the forseeable future.

The phenomenon is not limited to the cities. Entire states, such as Pennsylvania and Ohio, now suffer unemployment rates of up to 30% higher than the national average of 8.3%. And Michigan's rate of 15%, according to another Commerce Department staffer, Richard Rosen, does not account for the large population of industrial workers who have simply stopped trying to find work. This figure, some have estimated, could hike the average by as much as 5%.

The economy of this region possesses great resilience, most analysts agree, anticipating recovery in the long term. But recovery, they stress, would occur in the low-paid service sector and in the technical and professional field—that is, not in the part of the economy which gave the budget steakhouses their years of initial prosperity and, their eventual decline.

NRN FOCUS

BUDGET STEAK CHAINS



One operation keeps thriving without changes

RALEIGH, N.C.—In a segment aswarm with new concepts, wholesale unit conversions and sweeping indentity revisions, the 186-unit Golden Corral chain is an anomaly: it wants more business as usual.

Why shouldn't it? Its original concept unlike those of its larger competitors, has brought it joy instead of misgivings. In 1981, a year of retrenchment throughout the segment, its sales increased 35% to $107 million. Undaunted by high interest rates, it built 71 units in 1981 and plans 60 more for 1982.

The record, according to executive vice president and co-founder William Carl, owes to his philosophy of concentrating on unit management and ignoring the industry's trends.

"We're so enthusiastic about the future because we view ourselves as concerned not mainly with food service, but with management," he says. "We put all of our time, effort and research not in the pursuits which distract some other companies, but in the development of talented management."

Despite its aggressive rate of expansion, Golden Corral has always placed the unit manager first, Carl says. This is important to his operation because good unit management can keep costs down by eliminating the need for layers of middle management to check on the unit level.

It also facilitates greater efficiency in marketing because the unit managers provide input directly to the marketing department at the home office and, in turn, receive the home office's programs directly—all without the involvement of intermediaries.

Marketing based in the unit, Carl says, is the best way to build solid customer counts and repeat business, because, as he says, "we want our restaurants to be involved with the grassroots of the communities

Fittingly, many Golden Corral unit managers tend to be involved in community and church organizations in their communities, Carl says. The company tries to keep them at the unit level instead of promoting them: it has adjusted pay scales to remove the manager's incentive to leave as soon as he knows what he's doing.

The result, Carl says, is a retention rate of about 80% for unit managers in a business where the normal turnover figure is closer to 200%.

He doesn't entirely discount the importance of his concept. The units serve an all-beef menu, all fresh U.S.D.A. choice, ranging from center cut sirloin to filet wrapped in bacon to chopped steak. There is no seafood, no chicken. But there is a 29-item salad bar. There is soup, dessert and unlimited refills of drinks.

"But none of this makes any difference," Carl says, "unless you know how to deliver it the best way."

THE METEORIC RISE OF GOLDEN CORRAL

	1977	1978	1979	1980	1981	1982*
Number of Units	27	62	106	151	184	244
Total Sales (Millions)	$8.8	$24.5	$50.9	$81.2	$107.9	$144.0

Source: *NRN* Research

*Projected

Conditions force new approach

(Continued from page 41)

extensive salad bar similar to the Freshtastik's mainstay, and offer a line of entrees intended to combine maximum appeal to those diners who would be attracted to the People's concept and the lowest possible menu prices. Some of these items are steak teriyaki, red snapper and a dressed-up meatloaf the menu calls the Mushroom and Burgundy Beef Creation. ("You might call it meatloaf, but we don't.")

The units offer liquor—a necessity for a concept which would be, as Katz says, a "Houlihan's for the whole family"—but management decided to sharply limit the influence of liquor on the concept by putting only 40 seats in the lounge area and aiming at 20% liquor sales.

The company refuses to discuss the performance of the 13 People's units now in operation beyond pointing out that their check average of about $7 double Bonanza's. But their record has convinced Thomson to slate a vigorous expansion schedule. He plans to open two a month until June, at which time the schedule will reportedly be accelerated. The group is now entirely franchised, but Thomson counts on eight company-owned units by the end of the year. Meanwhile, he expects 13 more franchised units. Katz, though, is apparently more optimistic. He has said 40 more People's units will open this year alone.

The wide-open, nonspecific design and the eclectic menus of the People's concept underscore one important lesson the company has learned in the budget steak business: don't put all of your chips on a concept which cannot evolve with time to meet the changing preferences of the market. This lesson, some analysts feel, bespeaks the difficult time Bonanza will have selling its upgraded steakhouses to the public. They say that the appearance of the surviving steakhouse units—not to mention their name—firmly welds them with the budget steak concept.

And that concept, they add, is now past its prime.

While Bonanza places its hopes in providing its steakhouse franchisees with upgraded concepts, the long-time leader of the segment—Ponderosa Systems, based in Dayton, Ohio—plans to unveil an ambitious dinnerhouse concept of its own within the next few years.

The company, according to vice president Donald Jackson, is now considering three possible formats for development and, eventually, replacement of many of its marginal units. The three are: Midwesternized Mexican-style concept similar to the phenomenally successful Chi-Chi's; a barbecue restaurant reminiscent of the Chart House operation, Luther's, and an upscale chicken restaurant resembling Bojangles or the Wendy's entry in this field, Sister's.

But the inside track, according to former employees and franchisees of the 676-unit chain, belongs to a Mexican-Southwestern concept uniting barbecue and the "Tex-Mex" style of Mexican food. They claim the company has started planning a menu for such a concept and has established a separate division to oversee its development.

Ponderosa, Jackson says, is so confident of the embryonic concept's viability that it has already identified about 50 steakhouses which could be profitably replaced by the new style of dinnerhouse.

This strategy, he concedes, needs more than astute marketing. It needs money, the money that would come from a revived system of budget steakhouses. The company's steakhouses have been vigorously upgraded in recent years, and franchisees unwilling to make similar improvements have been either disciplined or terminated. But the kind of upsurge in profitability needed to finance a new chain of dinnerhouses can result from only one thing: recovery in the industrial sector of the Midwestern economy (see sidebar).

Unlike its largest competitor, Bonanza, Ponderosa apparently has no Southern strategy to ease the hard times felt by its Frost Belt steakhouses. Although Bonanza has lost dozens of units in the Northeast and the Midwest over the last few years, it has always been able to replace them with other, more viable units in the Sunbelt. But Ponderosa has adhered to its original market area, largely because its system is about one-third company-owned, in contrast with the entirely franchised Bonanza.

Locked into the industrial Midwest like no other restaurant chain of national stature, Ponderosa felt the full brunt of the economic downturn in the area. The company was among the first to discover the extraordinary price-sensitivity of its traditional clientele when it raised prices in the mid-1970's to reflect the 40% hikes in the cost of meat. An increased emphasis on discounts and promotions stave off the inevitable for a while, but the beef cost increase eventually shoved food costs to the 45% range.

The answer, president Gerald Office Jr. determined, was to alter the chain's traditional elientele. Beginning the the late 1970's and continuing to the present, the chain has successfully changed its customer mix by offering a wider range of items at the top of the price and quality scale. From 1975 to 1979, the chain reduced the percentage of its sales constituted by promotional and lower-priced meals from 48% to 37%, and reduced the amount of its sales of middle-priced products such as ribeye and chopped beef from 44% to 32%. Meanwhile, it was hiking the percentage of its sales of top of the line items such as T-bone and prime rib from a mere 8% to 31%. A recent rollout of two more cuts of prime rib as well as an increasing reliance on salad bars and fish sales, both promise to swell this figure even more.

To accompany the program of upgrading the menu, the chain has designed and has, by presstime, largely executed a sweeping renovation program of its company stores, subdividing the dining rooms into smaller and more intimate areas, installing noise-dampening carpeting

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NRN FOCUS

BUDGET STEAK CHAINS

Conditions force search for fresh identity

(Continued from page 42)

and ceilings, separating the service line somewhat from the dining areas, replacing the concept's traditional formica-and-fluorescent ambience with a gentler one using wood partitions and tables, hanging plants and even the hallmark of an upscale concept: a line of flatware designed to complement the surroundings.

The results of this strategy, though not yet complete, indicate that Ponderosa is beginning to escape its reliance on the industrial worker. For one thing, it has begun to attract a lunch crowd of business people and service workers.

For another, it does not seem to rely as heavily as it has in the past on special promotions and on stopgap measures such as last year's "value meal" concept, a low-cost entree priced at about $2.50.

A profitable, upscale steakhouse division is important to the executives at Ponderosa's home office not only for itself, but also for another reason: the dinnerhouse division, whenever it gets off the ground, is going to need money—lots of it.

Here, Ponderosa's diversification scheme may be in luck. The steakhouses now cover fixed costs even while highly underutilized. Customers would willingly pay more than $1 apiece for the product, the company's research says. Competition has been decimated by the region's economic woes. Because the chain is so heavily owned by the company, a larger-than-usual share of the profits go straight into the home office coffers.

This situation, according to some observers of the company, has an "extraordinary potential" for profitability. Jackson's office, sensing this, has calculated that a mere 2.5% rise in customer counts, matched by a 2.5% price hike, would increase the steakhouses' profits by a whipping 37.5%. Raise the ante to 10% on each side, and the number nearly triples, to 110%.

That's a lot of money for diversification. But it all depends on the eventual upswing in the region's economy, according to Office. What is going to make this happen? "It *has* to happen," he replies.

Two thousand miles away in Los Angeles, Tom Gregory views the troubles of the Northeastern industrial economy with understandable detachment. As president of the Sizzler division of Collins Foods, he presides over one of the first chains in the segment to change the format of the budget steakhouse.

True, about 35 Sizzler units have closed. But these, Gregory is quick to point out, tended to be in the older cities of the Midwest, where the preference for price-sensitive red meat is higher and disposable incomes are lower. Sizzler is lucky: most of its remaining 463 units are in the Sunbelt, where the economy is diverse (few mass layoffs there), costs are lower and advertising is more efficient.

But it owes most of its good fortune to a set of decisions two years ago which aimed at shifting the market appeal of its restaurants.

Gerald Office Jr. and the Ponderosa Systems braintrust, based in America's ailing industrial heartland, is eying a new Mexican-style format.

They, just like all the budget steakhouses, had aimed for the lower-income blue collar worker with a family; now, they would shoot for the largely white-collared lower managment employee, with or without a family.

"We had to accelerate our program if we were to maintain some position in the market," Gregory says.

Prices in the restaurants were due to rise anyway, he explains, to reflect the rising cost of beef and seafood, which Sizzler began to serve six years ago. "We had to justify those prices with a package of higher perceived quality."

Part of that package was an upgraded decor, he says. As originally conceived, most budget steakhouses deliberately skimped on their decor packages because their principal customer, the blue collar worker, is extremely value-conscious and might feel that an attractive restaurant interior means the food is overpriced. But this reasoning does not apply to the demographic groups Sizzler decided to attract.

But menu development was a bigger part of upscaling Sizzler. As one of the first chains to depart from the concept's original commitment to serving exclusively red meat when it entered rolled out king crab legs in the mid-1970's, Sizzler learned that seafood is more than just one more item: it can actually build sales of the red meat items.

The battle for friendlier demographics is not yet over for Sizzler. The Los Angeles area, where 107 units operate, has some heavy industry and is thus vulnerable to some of the same pressures afflicting the Blue Collar Belt. Two General Motors plants closed; Collins leases three Sizzlers to a Mexican-style chain, Acapulco Los Arcos.

But the company seems to have broken down the old equation between budget steak and bargain basement. Its new customers, by subjective measure, are drawn from a more affluent stratum of the work force. They are less sensitive to price increases, less likely to suffer from economic downturns and more likely to spend on side dishes. But objective measure, they have given Sizzler a check average of $5.75, one of the highest in the segment, and a 10% growth rate in monthly unit volumes to about $64,000. In California, on the West Coast, the monthly unit average is higher, about $84,000.

Southern-based chains, for reasons having to do with a value-consciousness that cuts across all sectors of the market, have helped keep alive the original concept of the budget steakhouse.

Two of the most successful operators in this region, Raleigh, N.C.-based Golden Corral, and Augusta, Ga.-based Western Sizzlin', have posted remarkable increases in both check and unit averages by adhering to the concept with which they began. (See separate story on Golden Corral.) But another Sunbelt budget steakhouse company, Oklahoma City-based Sirloin Stockade, has upscaled its operations as radically as any of the Northeastern companies recently.

"We decided that we wanted to stay with budget steakhouses but we wanted to both improve the quality of our basic product *and* offer an alternative. Not everybody likes beef, you know," observed the company's new vice president of operations, Gary Johnson. When he came to Sirloin Stockade, he inherited an operation which had begun to lose customers and money because, some speculated, it has failed to keep up in quality with the other chains in its area, making it vulnerable to competition from the burger chains.

He moved quickly. He changed the service style of the restaurants from self-service to the partial waitress service which the others in the segment offer. He installed salad bars, and added some seafood items and chicken to the menu. Most importantly, he upgraded the quality of beef served and altered the commissary's operations to improve quality and portion control. And he decided to avoid discounting.

These measures have probably cost the chain some customers. But in Sirloin Stockade's areas—Oklahoma, Minnesota, Kansas and Missouri—they are fewer, presumably, than those who would be attracted by the improvements. Johnson expects his program to be fully under way by the end of the year.

One operator has escaped the worst of the downturn in the Midwestern economy by locating itself almost entirely in shopping malls. This strategy has assured York Steakhouses, based in Columbus, Ohio, of a consistent traffic of both impulse-diners and those who wish to save gasoline by combining shopping with dining.

Berndt Gros, York president, refuses to discuss the 135-unit chain's present and future strategy, possibly a reflection of its ownership by the massive food corporation, General Mills. That strategy is apparently working, though: check averages have reportedly jumped to $5.70, placing York among the leaders in that category. Average unit sales have also benefited: the chain, reportedly deep in the doldrums last year, has pushed its annual sales figures to about $850,000 per unit.

Two operators may have proven wrong the adage that the so-called "family" steakhouse is actually at the top, discretionary, end of the burger market.

Valle's, concentrated in New England, combines old-fashioned marketing techniques, strong regional identities and the economies of massive scale to create check average midway between the budget steakhouses and the upscale dinnerhouses.

Upgrading its homespun concept would probably be the undoing of the Valle's chain, based in the Boston suburb of Wellesley, Mass. The 32 restaurants seat around 400 each, have waitress service and foster a check average of about $7. Although the chain has recently started to develop its Florida territory, placing eight units there since going public in 1968, it remains firmly bound to its New England stronghold where it has developed a loyal clientele.

But Hanover Trail was unable to succeed in the long run with a similar concept. At one point in the mid-1970's, Campbell Soup Co. operated ten of the behemoth restaurants, which offered full waitress service and a beef-oriented menu and posted a check average of about $7.50.

A combination of rising beef prices and changing consumer tastes doomed the concept, according to Campbell spokesman Scott Rombach. Only five are now operating; the others have been either closed, sold or converted to the company's casual theme, H. T. McDougal's Fun 'N' Foodrinkery, a Houlihan's-type establishment.

Upgrading the Hanover Trail concept was apparently precluded by the sheer size of the units: most seated about 650 people; some, as many as 800. The single massive unit is a restaurant idea most analysts have consigned to past, or at least to very traditional markets.

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THE PHILADELPHIA MA...

A restaurant renaissance—Pages 15-37

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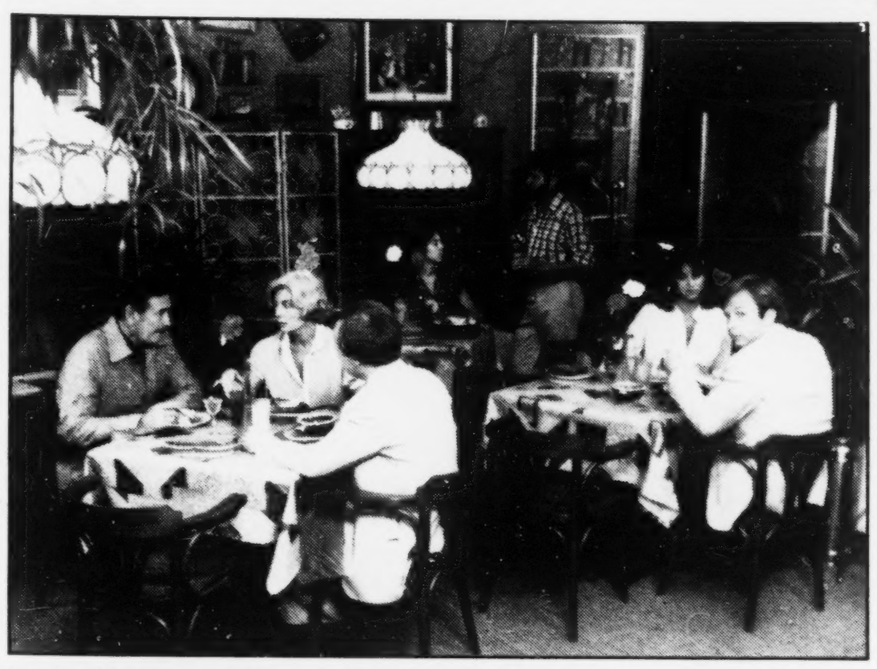


With the acquisition of Ruby Tuesday's, a casual dining concept, Morrison's will gain access to a new customer base.

Morrison acquires Ruby Tuesday chain

MOBILE, Ala.—Morrison Inc., the 153-unit cafeteria chain, is breaking into the casual restaurant business with the acquisition of the 16-unit Ruby Tuesday chain.

Price was not disclosed but Morrison is prepared to issue 325,000 shares of common stock, currently valued at about $3 million, over the next five years depending on performance.

The signing of the definitive agreement March 8 culminated six months of negotiations between Morrison, headed by Gene Bishop, president and chief executive, and Ruby Tuesday's president, Samuel "Sandy" Beall, 31, who founded the chain 10 years ago. Closing was set for early April.

Morrison, committed to retaining Ruby Tuesday management and its Knoxville headquarters, plans to build another 28 units in the South

(Continued on page 63)

Treacher's network wanes as franchisees jump ship

By Donald Frazier

PHILADELPHIA—Entering its second year of a paralyzing legal battle with corporate parent Mrs. Paul's, the once-strong Arthur Treacher's franchisee network is now apparently falling apart.

Several franchisees have sold their operations to other companies; some have simply shut their doors and declared bankruptcy. Many of the stronger members of the system have struck out on their own with new names and signs but the same fast seafood concept.

"The vast majority of Arthur Treacher's franchisees have now either left or plan to in the near future," asserted Judith Cohen of the Philadelphia law firm Wolf, Block, Schorr and Solis-Cohen, which represents several of the franchisees in their suit against Mrs. Paul's in United States District Court here.

Although the exact number of Arthur Treacher's franchisees who have left the system cannot be known with any certainty, numerous ex-franchisees agreed with the lawyer's assessment.

The company counted as many as 620 franchised units as recently as 1979; sources inside Mrs. Paul's acknowledge at least 350 defections since then. The Philadelphia-area press claims the actual figure exceeds 400.

Executives for Mrs. Paul's and Arthur Treacher's did not return a reporter's telephone calls requesting more information.

Some former Arthur Treacher's franchisees have banded together under the name of Gulliver's, which is incorporated in Montana and lists three former Treacher's franchisees as officers.

Several others have created their own concepts to replace the Arthur Treacher's identity. At least 64 former Treacher's units now do business under other names.

These former Treacher's franchise groups include McMichael's, which operates 17 units in suburban New York; Ivar's, which runs 18 stores in the Seattle area; The Veranda, a group of 15 restaurants in Connecticut; Jack's Fish and Chips, numbering five units in northcentral New Jersey, and

(Continued on page 63)

New tax proposal targets tip fraud

By Ken Rankin

WASHINGTON—Restaurants will be required to report employee credit card tips direct to the Internal Revenue Service under a controversial new legislative plan to trim the soaring Federal deficit.

Supporters of the proposed "taxpayer compliance" legislation told *Nation's Restaurant News* that Federal tip disclosure requirements are essential because over 80% of the income received by waiters, waitresses and other tipped employees is not reported to the IRS.

The total tax revenue drain from tip chiseling by food-service workers alone is likely to exceed $1 billion next year, they charged.

Proposals to require employers to report the credit card tip income of their workers aren't new. Federal tax officials have been calling for such legislation for years, and during the late 1970's restaurant industry lobbyists beat back a Carter Administration proposal which would have established similar reporting rules.

The new legislation, which surfaced on Capitol Hill earlier this month, could prove far more difficult to defeat.

This time around, the plan is being pushed by key Congressional Republican leaders, including Senate Finance Committee Chairman Robert Dole (R-Kan.) and Internal Revenue Oversight Subcommittee Chief Charles Grassley (R-Iowa).

Moreover, the tip reporting provisions in the Dole-Grassley measure represent only one

(Continued on page 63)

Seeking wider customer base

Wendy's tests new dinner items

By Roman Czajkowsky

COLUMBUS, Ohio—Despite lingering growing pains from last year's acquisition of 161 franchised units, Wendy's is moving ahead with several new menu moves, all designed to broaden the burger chain's customer base.

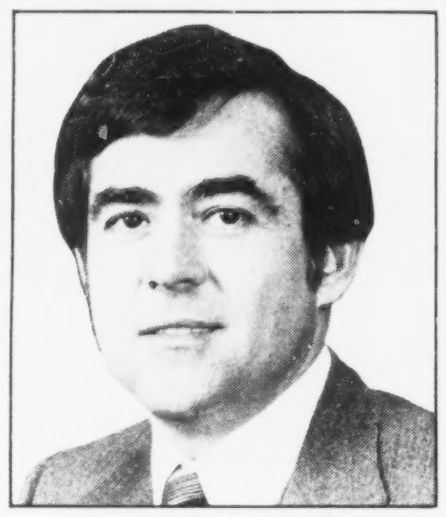
According to company officials and other sources, a long-tested breakfast program will be made available to franchisees, albeit on a cautious, store-by-store basis.

At the same time, Wendy's has begun testing a low-priced dinner plate package in two units in the Cincinnati market. Featuring fish, beef and chicken entrees served with a baked potato and a preportioned salad, the new package signals a potentially heavy marketing effort to expand dinner business.

In addition, the chain plans a systemwide rollout of taco salad, which tests show has a special appeal to women. Network TV and radio spots to support the new salad were slated to break March 15.

Wendy's is also looking to add up to 35 new Sister's Chicken & Biscuits restaurants this year to its current flock of 14. Sisters, the company's first diver-

(Continued on page 63)



Robert Barney
Wendy's president, ceo

Gen. Foods unloading U.S. dinnerhouses

By Rick Telberg

WHITE PLAINS—General Foods, having sold its 700-unit Burger Chef Systems for $44 million in cash, is now looking for buyers for its 13 dinnerhouses located in the United States.

The Theme Restaurants of America Division consists of five GuadalaHARRY'S Mexican restaurants and eight Meriwether's English steakhouses.

Company spokesmen said extensive Canadian restaurant holdings were not for sale.

Meanwhile, on March 10 at the Indianapolis headquarters of Burger Chef, General Foods officials ceremoniously turned over title for the chain to officials from Hardee's Food Systems, the 1,400-unit burger chain based in Rocky Mount, N.C.

General Foods disclosed no asking price or deadline for selling the 13 dinnerhouses, but said restaurant operations would be business-as-usual until the units were sold.

Brian G. Laragh, restaurant division president, was named president of the company's Food Service Products Division in a general shuffle of top management in February. He retains his duties as chief of the dinnerhouses.

With the sale of Burger Chef and the move to sell its theme restaurants, General Foods will be concentrating on its grocery businesses. Wall Street observ-

(Continued on page 64)

LATE NEWSBREAKS

Jewel Cos. has agreed in principle to sell its 81 Brigham's ice cream shops and restaurants to Robert P. Johnson, former Brigham's president (1976-80), for an undisclosed amount. Current Brigham's president Robert Nakasone will get another assignment within Jewel Cos.

Kentucky Fried Chicken, which hopes to increase its penetration of northeastern urban markets, is testing spicy chicken, collard greens, dirty rice and biscuits in a number of restaurants. Also in test is a biscuit breakfast.

Hardee's is testing beef brochette and seafood platters in a few units in the Midwest and Southeast. The 1,300-unit burger chain will add a bacon cheeseburger to menus systemwide next month.

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BEST AVAILABLE COPY

Fine-dining awards myst... ...staurateurs

By Susan Spedalle

Though many restaurateurs aspire to attain the prestigious national fine-dining awards, such as Mobil, Travel Holiday and Cartier, an informal *Nation's Restaurant News* survey has revealed that few recipients are aware how the winners are chosen.

In addition, some are unsure of what use to make of the awards after they've gotten them and others think the conveyors of the awards must do more publicity work.

Walter Kaplan of the Embers in Miami displays his Travel Holiday award in the restaurant's window, but says, "I don't do a lot of blowing my own horn. We've had it [the award] for over 20 years and we're popularly known. . . . I think customers like to see that we've got some recognition, but they don't base a decision to come here or not on the award."

Another restaurateur, who asked for anonymity, uses his (Travel Holiday) award status in advertisements, "but I'm not a great believer in advertising anyway. A certain segment of the dining public probably takes the award very seriously, a very select few, but even they probably don't know who rates the restaurant, who thinks it's good."

Does he know? "It's an anonymous visitor, that's all I know. I guess it's a diner who travels around the world."

The restaurateur is close. The "author and compiler" of the Travel Holiday awards is the well-known wine authority Robert Lawrence Balzer, who started the program with *Holiday* magazine and kept the position when the publication was purchased by *Travel* magazine.

This year there were 750 awards and recommendations for awards. Since it would be physically and financially impossible for Balzer to visit each restaurant, he has invoked a cabinet of "12 incorruptable bankers, lawyers, engineers . . ." to be his eyes and ears. He describes them as sophisticated diners who are willing to pay their way and who travel frequently as part of their work. Yet even with 12 sets of "eyes and ears" each member of the unofficial board of selectors would have to visit 58 restaurants per year—and none could overlap.

Balzer admits that not every restaurant is visited every year ("it is not the fact and cannot be") but "the majority are visited," he says. He also relies on the mail and has become a keen evaluator of reader correspondence, he says. This year Balzer was able to rewrite descriptions of the first 40% of the guide.

Those who feel that awards should only be given out by people who employ battalions of tasters and health inspectors should be encouraged by the criteria with which Mobil

(Continued on page 64)

Robert Balzer selects Travel Holiday award winners.

Wienerschnitzel revamps menu, diversifies

By Jim Storey

NEWPORT BEACH, Calif. —Wienerschnitzel International is in the midst of a major repositioning campaign, the main components of which are hamburgers and photo-finishing.

The privately owned company is revamping its chain of 340 Wienerschnitzel fast-food restaurants, replacing the predominantly hotdog-oriented menu with a line of adult-style hamburgers.

Company officials report that since the effort began last fall, hamburger sales have jumped from 20% to 40% of the average unit's mix and per unit profits have risen 5% to 6%.

At the same time, the firm has established a new division that is developing a chain of one-hour photo-finishing retail stores. The first unit, called Photoworks, was scheduled to open at presstime.

Sales Down

Wienerschnitzel plans to open up to 30 company-owned and franchised Photoworks this year, company officials said. In addition to franchising the concept to its restaurant franchisees, Wienerschnitzel also has started franchising to the general public.

While it may not be readily apparent, hamburgers and photographs have much in common as major factors in the company's repositioning effort, according to Wienerschnitzel president John N. Galardi. Both are growing areas of the retail industry.

New Markets

Hamburgers, if they are marketed to the adult, are a viable competitive factor that a regional can use against the major national chains, he explained. Photography is also a major growth area, particularly the fledging one-hour processing concept, a relatively new technology in which a roll of color film is processed and printed in less than an hour.

For franchising, Galardi explained, the one-hour processing concept "moves the clock back and gives you what the fast-food industry had 20 years ago."

What the fast-food industry had, he says, was a low initial investment cost, high profit margins and ease of operation. "The quality of the profit margins reminds me of the fast-food industry in 1960," Galardi said.

Product costs for the photo-finishing concept are in the 15% to 18% range, compared with the 37% to 41% range for the fast-food industry, he said.

Wienerschnitzel began searching for potential new growth areas about two years ago. The company at the time was experiencing declining customer counts, sales and profits, and has ceased franchising and expansion.

Wienerschnitzel, then primarily a hotdog chain, was witnessing its major market segment shrink as the post-World War II baby boom generation, which grew up on fast food, began reaching adulthood. Meanwhile, Galardi explained, major national chains, armed with tremendous marketing budgets, continued to capture a larger slice of the shrinking pie, mostly at the expense of the smaller regionals and independents.

"We looked around and said

(Continued on page 64)

Smith's domain increases at PepsiCo

By Charles Bernstein

PURCHASE, N.Y.—Donald N. Smith, president of PepsiCo's food-service division (Pizza Hut and Taco Bell), has now also been given responsibility over PepsiCo's international snack foods, North American Van Lines and Lee Way Motor Freight.

This increase in Smith's domain occurred after Peter Warren, 63, said he was retiring as chairman and chief executive officer of PepsiCo International, and Victor Bonomo, corporate operations executive vice president, was chosen PepsiCo International president and ceo. Bonomo had been responsible for seven PepsiCo companies, three of which will come under Smith's jurisdiction.

Bonomo will continue to head PepsiCo Wine and Spirits. Robert Beeby, former president and chief operating officer of PepsiCo International, is the new president of PepsiCo's Wilson sporting goods while John Sculley, president of the Pepsi-Cola Company, also will head concentrate manufacturing, research and technical services.

Sculley and Smith appear to have gained the most ground in the highly competitive PepsiCo corporate hierarchy. Pepsi-Cola (Sculley), PepsiCo's food-service division (Smith) and Frito-Lay domestic snacks are the three major over $1 billion annual volume companies under the PepsiCo umbrella.

Smith, who became Burger King president and ceo in January 1977 after having just been moved up to McDonald's chief operations officer, was appointed a PepsiCo corporate senior vice president and president of the newly formed food-service division (Pizza Hut and Taco Bell) in the spring of 1980. He retains these posts and responsibilities while advancing in the corporate hierarchy.

Smith has only two executives working directly under him in the food-service division office here—Don Christopherson, former Burger King chief financial officer, in the same post, and Graham (Gil) Butler, former Pizza Hut group vice president, as president of the division's international operations.

Ever since Smith assumed the reins of the new division, there has been speculation about a possible pending acquisition of Wendy's or another burger chain. Now that Pizza Hut and Taco Bell appear to be turned around on an upward course, that speculation is increasing. But there have been no known specific offers or deals.

$151M Host acquisition finalized

By Jim Storey

SANTA MONICA, Calif.—Host International shareholders have officially approved Marriott Corp.'s $31-a-share offer to acquire the operator of airport restaurants and gift shops.

At a special meeting held earlier this month in Los Angeles, 74% of the 4.9 million shares outstanding were voted in favor of the acquisition.

The total purchase price for the chain was approximately $151 million.

Marriott's acquisition ends a bidding battle for Host that began in October when the company agreed to be acquired for $24.25 a share by DFS Group Ltd., a privately held Hong Kong corporation. Marriott, then holding acquisition discussions with King of Prussia, Pa.-based Gino's, surprised the industry by offering to acquire Host for $29 a share.

DFS, a company that operates duty-free shops in various countries, countered by upping its bid to $29.25 a share.

In an apparent move to discourage a Marriott counteroffer, Host directors quickly entered into a definitive agreement with DFS. That agreement gave DFS the option, should another company purchase more than 50% of Host, to buy all Host's duty-free operations, its Los Angeles general merchandise operations and up to 875,000 shares outstanding for $29.25.

Marriott was undeterred by the Host-DFS deal. It soon countered with the $31-a-share offer, which was ultimately approved by Host shareholders.

DFS's interest in Host was sparked early last year after Host began operating duty-free shops in Hawaii, competing directly against DFS. Host abandoned the Hawaiian operations late last year

Marriott operates contract inflight food-service units, and has sizable restaurant operations in addition to its hotel division. Analysts have said that the Marriott-Host union should be a good one since Host operates airport food-service facilities, four airport hotels and 52 dinnerhouse restaurants.

Marriott said last month that the Justice Department was investigating possible antitrust implications involving the Host acquisition. Both Host and Marriott officials have indicated, however, that they have heard nothing new.

HIGHLIGHTS IN THIS ISSUE

Philadelphia, a town that was not known for its dining until the late 1970's, is experiencing a restaurant renaissance. In this issue's focus section, *NRN* explores the transition. *Pages 15 to 37.*

Horn & Hardart is closing its Royal Americana Hotel and Casino in Las Vegas, citing significant operating losses. *Page 45.*

Po Folks, a fast-growing Southern budget family chain, is negotiating a joint venture agreement with W. R. Grace. *Pages 44 to 45.*

Robaire's in Los Angeles is celebrating its 30th anniversary, an event considered quite a feat in a city known for its new and trendy establishments. *Page 48.*

How important are menus and which direction are they heading? In a guest column, Francis Lux, president of Lux Design Group, offers some insightful ideas on menus. *Page 12.*

Red Barn's switch from national to regional operations is helping lift the family restaurant chain out of the red and into the black. *Page 11.*

Interstate United is launching a merchandising program for vended products containing no artificial additives or preservatives. *Page 11.*

Pizza houses, chicken fast-food units and Mexican dinnerhouses are being eyed as lucrative markets. But, as *NRN* editor Charles Bernstein advises in an editorial, innovators are more apt to succeed, while imitators may fail. *Page 6.*

Withholding prices of wines not found on a restaurant's wine list can be a form of intimidation, says wine and spirits columnist Mort Hochstein. *Page 13.*

Heublein is preparing a counteraction against General Cinema Corp., notifying the company of its plan to acquire as much as 50% of its outstanding voting stock. *Page 8.*

REGULAR FEATURES

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Bar Management Supplement inserted loose between Pages 2 and 3.

COMMODITIES

Red meat is the exception to moderating food prices

NRN Special Report

The rate of price rises for most foods—at the point of purchase in the field—has been moderating for the most recent three months. The one major exception is the price of red meat, which has been moving up and down like a yo-yo.

Meat price swings, not unusual at this time of the year, have been accelerated by the combination of slackened demand by an economy-buffeted consumer market and the storms which have made transportation of meat animals to market difficult or impossible for up to a week or two at a time. These factors, combined with hog farmers' intentions to keep production cut back until prices rise, have contributed to the single most powerful influence on food price reporting.

Contracts for California field crops are now being adjusted for final price levels on many vegetables, and the reports indicate average acreage will be greater than last year, but that prices for farmers will be substantially higher, meaning processed vegetables will show another rise during the 1982 canning season. Freezers are facing the same escalating cost pattern for crops which can be diverted to the fresh produce market if contract prices do not please farmers.

Lent Changes Consumption Patterns

The market for red meats during Lent is normally reduced, while the demand for eggs is strong. Egg producers, who have cut back on their production, have pushed prices up during the Lenten season to more than 13% greater than last year at this same time. While egg prices are expected to moderate somewhat after Easter, continued production restrictions will mean egg prices will stay above last year's levels.

California Vegetable Prices Down

Lettuce, which after the first of this year had soared to as high as $15-$16 per case of 24s in the Imperial Valley packing sheds, has now dropped to levels near the previous year. Cold weather and the end of the feeding season for the white fly has nearly eliminated damage from that source—which had resulted in drops of as much as 50% in output. Some price rise is expected between the end of the Imperial Valley crop season and the beginning of the season in the Salinas area, although the Salinas acreage is large and production estimates are encouraging.

Asparagus prices are dropping to seasonal levels and below. Current first crop prices are already trending to drop 10%-15% lower than last year at this same time. Last year's Salinas area crops were sorely affected by extremely heavy rains. The acreage reported by the U.S. Department of Agriculture for California asparagus is nearly 8% larger than last year. This should affect canners, freezers and the fresh produce market equally.

PRICE MOVEMENT AT A GLANCE

	March 5 1981	Feb. 5 1982	March 5 1982
Asparagus, fresh Calif. large loose green (ctn)	$33.00	—	$28.00-30.00
Beans, pinto, dried California (cwt.)	$35.00	$18.50	$15.50-16.00
Beef, Choice, 700-900 lb. Midwest (lb.)	$ 0.95	$ 1.01	$ 1.05
Broilers, Grade A, icepack NYC (lb.)	$ 0.5281	$ 0.5032	$ 0.4982
Eggs, Grade A, large white, Chicago (doz.)	$ 0.6675	$ 0.745-.75	$ 0.755-.76
Lettuce, iceberg, California (24s)	$ 3.00-3.50	$ 7.00-8.00	$ 3.50-4.00
Pork loins, 14-down, Midwest (lb.)	$ 0.955	$ 1.04	$ 0.94
Rice, No. 2, milled, Arkansas (cwt.)	$25.00-27.00	$19.00-20.00	$18.00-19.00
Tomato ketchup, Fancy, California (6/10)	$13.15	$16.30-16.55	$17.30

Source: NRN Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Ponderosa set to plunge into hot Mexican market

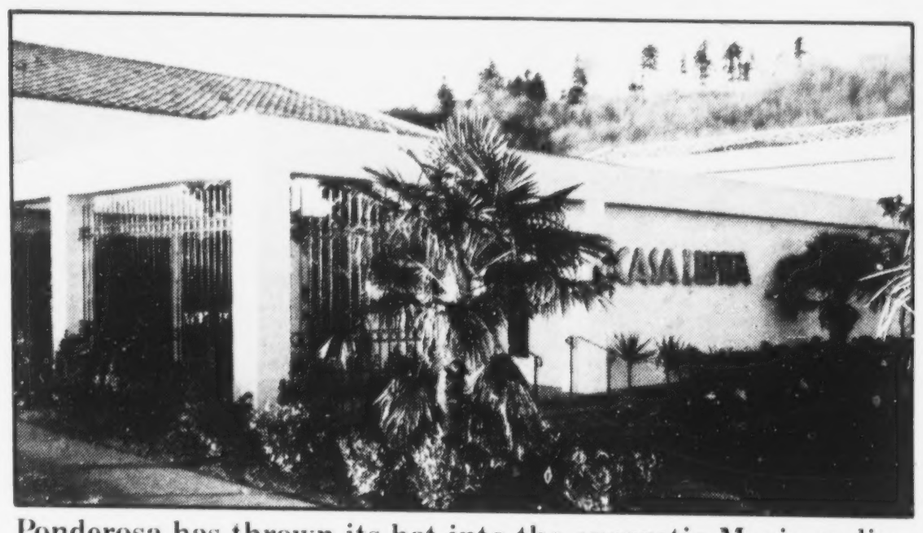
By Donald Frazier

DAYTON, Ohio—Ponderosa Systems, leader of the budget steakhouse segment with nearly 700 units, has confirmed reports that it plans to diversify into the Mexican dinnerhouse market.

The company has picked 49-year-old Edwin Ourant, formerly president of Ohio-based Rax Systems, to spearhead its new specialty restaurant division as executive vice president, according to Donald Jackson, Ponderosa's executive vice president for finance.

It has also bought the concept, including menu, service mark and operational systems, of the three Casa Lupita restaurants in the Seattle area for an undisclosed price.

The acquisition of the Casa Lupita concept puts an end to months of speculation about Ponderosa's plans. The company had considered diversification into several other concepts—barbecue and upscale chicken among them.



Ponderosa has thrown its hat into the energetic Mexican dinnerhouse segment with the purchase of three Casa Lupita restaurants.

Ourant joined Rax Systems, a 200-unit chain of fast-food outlets, 14 years ago as a member of its original executive team. He was also a principal in a firm which held franchises for several companies.

Ponderosa tapped him for the job, according to the company's chief executive officer Gerald Office Jr., because Ourant has both the operational and administrative experience necessary for the head of a new restaurant division.

The Casa Lupita restaurants, which have been open for eight years, are characterized by Spanish Colonial-style fittings, tile-and-wood interiors and skylights, said Mark Ci-

(Continued on page 64)

Hotel occupancy rates drop for 2nd consecutive year

By Rurick Telberg

NEW YORK—Occupancy rates in United States hotels and motels continued to slide downward last year as the industry suffered the effects of recession, according to two leading firms tracking the industry.

The two firms—Laventhol & Horwath of Philadelphia and Pannell Kerr Forster of New York—differed in their figures, but agreed on the trends.

Pannell Kerr Forster said occupancy rates last year fell from 71% in 1980 to 68%. Laventhol & Horwath said the falloff was from 69% in 1980 to 67%

Both firms agreed, however, that sales grew 7.4%—short of the increase in room rates, indicating lodging properties failed to offset the occupancy decline with price increases.

Pannell Kerr Forster estimated that room rates increased 12% last year. Laventhol & Horwath said room rates increased about 10% to $45 per room last year.

In addition, Laventhol & Horwath reported the 7.4% sales increases was based on an 8% increase in room sales and a 9% increase in food and beverage sales to $27, per occupied room.

The two accounting firms also generally agreed on the outlook for this year: More of the same. Occupancy rates will remain practically flat and sales growth will stagnate as price increases face consumer resistance, they said.

The recession-ridden economy was blamed by analysts and industry executives alike. Some were betting that mid-year tax cuts might relieve some of the cost-price squeeze.

"At best," said Juergen Bartels, chief of Ramada Inns' hotel group, "the industry is expecting zero-growth." Based on a 30% boost for Ramada's promotion budget to $26 million, Bartels is budgeting a 1.6% occupancy rate increase.

Manuel Ferris, president of Sheraton's North American division, said recently: "We believe 1982 will be even or slightly ahead of last year in overall occupancy."

Occupancy rates have been falling since 1979, when they were 74%, according to Pannell Kerr Forster.

Miami was the hardest hit market last year as Cuban refugees flocked ashore. Liberty City erupted in riots and drug wars escalated. Said Christopher Perks, general manager of the 556-room Omni International: "You have to be able to engineer every line on your payroll and price list."

The boom years leading up to 1979 launched a spate of building with about 125,000 new rooms coming on line last year.

With the new rooms, came higher prices last year, just at the time when consumers, smarting from a 16%-20% hike in 1980, cut travel to a minimum. The air traffic controllers strike, which cut air travel by 25%, also played a hand in last year's drop-off.

HOTEL OCCUPANCY RATES IN KEY U.S. CITIES

City	1981	1980	1979
Atlanta	60%	64%	70%
Boston	73	76	78
Chicago	62	65	67
Dallas/Fort Worth	63	67	71
Houston	66	66	71
Los Angeles	75	78	79
Memphis	64	64	63
Miami	66	78	77
New York	73	78	81
Philadelphia	64	65	63
San Diego	78	77	80
San Francisco	76	78	86
Washington, D.C.	66	69	72

Source: *Pannell Kerr Forster*

BK takes aim at in-store market

MIAMI—Burger King is exploring the possibility of setting up shop in "captive" markets such as department stores and institutional feeding operations, it has been learned.

Among the target areas is Woolworth, the variety and discount store chain now in the midst of an extensive refurbishing program of its own food-service outlets.

Jeffrey Seeberger, Burger King's vice president for franchise development, acknowledged the Miami-based hamburger chain has been looking into nontraditional sites, including Woolworth. But he said that so far "no commitments" have been made with anyone.

"At present, we are looking at some captive audience" markets, including department stores and "institutional feeding situations," Seeberger said. He characterized Burger King's discussions in this area as being "very preliminary."

E. L. Kerber, vice president of restaurant operations at New York City-based Woolworth, also acknowledged the talks with BK, but said "nothing has been finalized." Kerber said the department store chain, which operates 1,075 Woolworth and 350 Woolco stores, has been "working with a number" of other restaurant operators about a possible association with Woolworth.

According to Seeberger, a decision on moving to nontraditional locations won't be made for some months yet.

For BK, a "captive audience" location would not be without precedent. For the past several years, Phoenix-based Greyhound Corp. has been converting some of its old bus terminal food-service outlets into Burger Kings. Today, Greyhound operates about 30 such franchised restaurants, each of them with sales above the burger chain's national average.

Opening Burger Kings, in whatever form, in Woolworth stores could put the Burger King name on some choice property.

Considered a pioneer in in-store feeding, Woolworth more recently has been modernizing its various luncheonettes, coffee shops and cafeterias.

NRA committee searching for new staff chief

WASHINGTON—A seven-person search committee has been named to screen possible candidates for a new National Restaurant Association staff chief.

Meanwhile, the position is being filled temporarily by Robert Neville, who for the second time in 1½ years is acting staff chief, following the dramatic resignation of Robert Bradford in San Antonio just prior to the NRA's winter board meeting.

But this time Neville, who says he doesn't want the job permanently, has been given full authority to make decisions and run the daily operations of the NRA. He thus could continue as acting staff chief for at least the remainder of the year if necessary to give the NRA more time to find a new staff chief.

In naming the search committee Walter Conti, whose term as NRA chairman expires in May, did not specify the exact title of any prospective new staff chief. This could leave the way open for negotiation on the title if the NRA board should decide to reconsider the matter. The board voted in January to change the title from president and chief executive officer as it was under Bradford (since last May) to executive vice president.

Appointed to the search committee were Jack Laughery, incoming one-year NRA president and chief executive officer, committee chairman; incoming NRA vice president John Dankos; NRA directors Jim Hasslocher, Joe Lee and John Rian; former NRA one-year president Robert Flickinger, and Conti.

"This committee will work in close cooperation with the NRA board, which will establish criteria for the search," said Conti. "The individual selected to take over the top staff position will have the necessary experience and background to ensure the continued growth, development and success of NRA activities and programs."

The NRA's next board meeting is at the downtown Chicago Marriott, May 21-24 in conjunction with the NRA Show.

Brinker gets new post

MINNEAPOLIS—Norman Brinker has been named president of a new restaurant group formed by Minneapolis-based Pillsbury. He will remain based in Dallas and continue as chairman and ceo of the S & A Restaurant Corp., which operates Steak & Ale, Bennigan's and Poppin Fresh Pies restaurants.

The only apparent difference in the new setup is that Pillsbury's Burger King chairman and ceo Lou Neeb will report to Brinker instead of to Pillsbury corporate president and chief operating officer Winston Wallin. As Steak & Ale president through mid-1980, Neeb had reported to Brinker.

Brinker, who continues as a Pillsbury board member and a corporate executive vice president, still reports to Wallin. Hal Smith continues as S & A Restaurant Corp. president and chief operating officer.

Pillsbury once before had a corporate restaurant director when Authur Rosewall, former BK president, was executive vice president and coordinator for Burger King, Steak & Ale and Poppin Fresh Pies.

Norman Brinker
S & A Restaurant Corp.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended March 12							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd Rate		Last X-Dvd Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
					Change		52-Week						Last Fiscal Year	Amt	Pct				Amt	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days														
		$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5 13	4 13	4 88	75	18 18	10 63	3 50	1 35	-1 14	70	-6 53	47	-21 Q	-50 0	8 0	4 3	23 2	00	0	01-06-81	19 1	1 1	8	1 1	2	1080
Am Motor Inns	INN	17 75	14 75	15 13	-1 50	-9 02	21 88	10 00	39	05	-1 08	28 98	1 67	37 S	25 5	34 0	6 3	8 3	22	1 5	01-26-82	114 7	6 7	1 4	17 7	8	0780
ARA Services	ARA	25 00	23 50	23 75	-1 00	-4 04	37 25	23 50	10	-37	63	-15 41	4 00	-1 35 Q	-26 2	-1 0	1 5	6 3	2 00	8 4	02-23-82	2915 9	45 1	1 2	21 0	44	0981
Assoc Hosts	AHST	5 88	5 88	5 88	00	00	8 63	4 88	67	-14	-2 70	9 41	66	11 Q	17 1	-8 0	2 6	7 8	12	2 0	12-08-81	79 9	2 1	1 5	6 4	7	0981
Beefstk Char	BSCC	3 88	3 38	3 88	38	10 71	4 88	1 63	09	2 43	-2 57	11 00	62	15 F	31 9	42 0	2 4	6 3	00	0	00-00-00	86 2	2 1	1 2	1 2	3	1081
Bob Evans Farms	BOBE	25 50	22 00	23 50	1 50	6 82	25 50	17 75	61	05	74	13 32	1 40	19 N	13 5	26 0	8 0	14 8	40	1 7	02-05-82	147 0	11 8	1 9	0	6	0481
Bonanza Intl Inc	BNZA	1 25	1 25	1 25	00	00	6 88	1 06	-90	00	-3 90	54 69	24	-1 49 N	-647 8	-37 0	4 2	NE	00	0	00-00-00	25 9	1 1	1 6	12 9	5	1280
Brock Hotel Cp	BHC	14 25	12 50	12 63	-1 13	-8 18	16 88	7 91	-16	-1 02	1 09	-19 96	59	15 F	34 0	30 0	4 3	21 4	10	8	03-08-82	110 9	4 4	1 0	8 5	3	1280
Cainy Food	CLNY	7 50	7 50	7 50	00	00	10 34	7 16	42	-11	-26	39 71	90	-19 N	-16 6	7 0	2 2	7 9	12	1 6	03-02-82	41 7	9	4	9 6	4	0281
Carrols Develop	CRL	5 25	4 13	4 63	-50	-9 76	7 84	3 97	-21	32	6 71	36 08	86	68 S	151 1	34 0	2 4	4 1	09	1 9	12-24-81	75 6	1 8	7	10 1	5	0581
Chart House	CHHO	18 00	16 50	18 00	1 38	8 27	22 86	15 13	44	1 24	-3 14	-12	2 03	31 F	18 0	12 0	5 0	8 9	60	3 3	12-24-81	312 5	15 2	1 1	12 3	9	1280
Chi-Chis	CHIC	20 38	18 38	18 75	63	3 45	27 25	15 13	54	-06	-28	-11 83	46	37 S	137 0	35 0	14 1	29 3	00	0	06-02-81	14 9	2 1	3 1	1 7	2	0481
Ch Full O Nut	CHF	10 50	9 63	9 88	-50	-4 82	13 88	6 50	-17	17	-2 45	10 21	66	-13 Q	-17 8	30 0	2 7	16 5	40	4 1	12-14-81	118 7	3 2	3 4	8	5	0781
Churchs Fr Ch	CHU	27 88	25 63	26 75	1 50	5 94	37 38	25 00	23	-17	-1 15	-38 99	3 52	51 F	16 9	24 0	10 8	7 6	84	3 1	01-25-82	412 1	44 6	1 9	1 0	15	1281
Cindys Inc	CNDYC	3 38	2 75	3 38	38	12 50	4 00	2 50	30	4 00	2 17	30 97	-1 43	-1 09 F	NE	NE	-17 3	NE	00	0	00-00-00	16 8	-2 9	0	6 2	0	1280
Collins Foods	CF	13 25	11 63	12 00	-1 25	-9 43	14 91	10 31	17	33	1 89	-19 55	1 56	63 N	41 4	13 0	2 8	5 6	24	2 0	12-23-81	265 2	7 5	1 4	10 6	13	0481
Consul Corp	CNSL	5 88	5 25	5 25	-63	-10 64	10 13	5 25	04	-1 55	-4 71	-49	-08	12 S	NC	NE	-1 5	43 8	00	0	00-00-00	6 8	-1	8	6	1	0581
Dennys Inc	DEN	32 75	30 13	30 88	-1 38	-4 26	32 75	22 13	54	-21	-5 28	23 86	2 96	1 14 S	52 0	5 0	3 2	9 3	96	3 1	03-04-82	840 7	26 9	1 5	24 0	20	0681
Dunkin Donuts	DUNK	12 25	11 13	12 25	1 00	8 89	18 25	11 13	39	-07	84	-24 23	1 82	28 Q	17 3	19 0	8 3	6 5	30	2 4	02-05-82	68 7	5 7	1 3	11 4	11	1081
Frischs	FRS	8 25	7 38	7 38	-88	-10 61	9 38	5 78	30	-1 05	3 64	7 47	1 39	70 S	63 0	14 0	3 0	4 1	38	5 2	12-29-81	97 0	2 9	1 2	7 2	13	0581
Hamb g Hamlet	HAMB	5 75	5 75	5 75	00	00	9 00	5 00	53	-15	6 65	-35 19	27	-15 S	-19 7	-24 0	7	9 4	00	0	00-00-00	28 4	2	9	20 9	12	0381
Hardwicke	HAWK	3 00	2 50	2 50	-38	-13 04	10 50	2 25	-94	-3 38	-6 39	-7 14	-2 22	-2 66 F	-604 5	-38 0	-11 4	NE	00	0	00-00-00	30 6	-3 5	1 4	18 4	8	0981
Hilton Hotels	HLT	36 88	32 63	32 63	-4 38	-11 82	52 25	32 63	-09	-2 37	1 55	8 39	4 22	22 F	5 5	34 0	18 4	7 7	1 80	5 5	03-01-82	523 1	106 1	2 2	4 6	17	1280
Holiday Inns	HIA	29 13	23 75	24 25	-3 75	-13 39	33 25	21 88	58	-4 01	2 69	60 01	3 66	74 F	25 3	27 0	7 8	6 6	80	3 3	03-15-82	1533 8	108 3	1 0	17 6	22	1280
Holiday Inns A	HIA A	42 50	41 75	42 50	75	1 80	48 75	33 00	90	-17	5 56	00	NA	NA	NA	NA	NA	NA	00	0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	12 38	10 63	10 75	-75	-6 52	14 00	7 28	17	05	42	-5 32	87	09 N	10 0	42 0	3 1	10 9	00	0	01-11-82	128 2	4 0	1 8	15 4	6	1280
Hungry Tiger	HTIG	7 00	6 00	6 00	-1 00	-14 29	9 38	6 00	-38	-2 54	-8 72	33 33	92	14 S	16 6	42 0	3 2	6 1	00	0	08-24-81	49 9	1 6	8	5 8	4	0881
Imperial Grp	IMT	1 63	1 50	1 50	-13	-7 69	1 81	1 06	60	-54	3 29	5 19	62	- -15 S	-21 1	28 0	2 1	2 7	16	10 7	09-28-81	8700 9	178 4	9	8	3	1080
Int Dairy Queen	INDQ	10 25	9 50	10 25	25	2 50	13 25	9 25	-33	1 09	-2 71	-38 73	1 72	38 F	28 3	50 0	6 1	6 0	00	0	00-00-00	91 3	5 6	1 1	9 7	6	1181
Int King Tab	IKNG	2 00	2 00	2 00	00	00	3 38	1 88	04	-28	4 55	57 71	-65	19 S	NE	-43 0	-3 1	NE	00	0	10-09-79	32 0	-1 0	3	5 4	3	0681
JBs Rest	JBBB	4 38	4 25	4 25	-13	-2 86	5 25	2 88	-22	-20	-7 13	-12 50	63	31 Q	81 5	-2 0	3 0	6 2	00	0	00-00-00	36 4	1 1	9	5 2	5	0981
Jerrico Inc	JERR	19 13	16 38	18 38	00	00	27 63	15 63	49	-45	-65	-27 06	1 70	39 S	-26 5	23 0	5 6	9 9	12	7	02-01-82	378 2	21 0	1 1	3 7	10	0681
Kapok Tr Inns	KTI	4 25	3 75	3 75	-38	-9 09	4 38	3 38	25	-74	-1 96	40 00	-24	-45 Q	-321 4	-32 0	-2 9	NE	00	0	00-00-00	13 8	-4	3 1	1 9	6	0981
Kelly Johnston	KEJO	15 25	14 00	14 00	-1 25	-8 20	16 25	10 75	01	-16	08	-50 66	58	77 N	NC	132 0	5 9	18 2	00	0	00-00-00	11 9	7	4	8	1	0381
Kinnard Cos	KCNI	1 63	1 63	1 63	00	00	9 00	1 50	30	00	-19 35	00	-60	-39 N	NC	-96 0	-66 7	NE	00	0	00-00-00	2 1	-1 4	3	4	1	1280
Lubys Cafe	LUB	27 50	26 38	26 63	-50	-1 84	28 25	23 19	67	-36	-2 38	66 48	1 45	27 Q	21 7	23 0	9 1	17 6	48	1 8	03-09-82	108 2	9 8	1 1	9	6	0681
Marcus Corp	MRCS	5 88	5 63	5 75	13	2 22	7 28	5 00	25	-39	93	-12 56	1 15	13 S	11 8	8 0	5 8	4 7	00	0	08-24-81	105 3	6 1	8	2 9	9	0581
Marriott Corp	MHS	38 25	34 00	34 00	-4 25	-11 11	47 00	31 63	26	-1 90	-33	19 34	3 20	60 F	23 0	28 0	4 3	10 6	30	9	03-22-82	1718 7	72 0	9	22 4	12	1280
McDonalds Cp	MCD	63 50	59 50	61 00	1 38	2 31	72 88	56 75	27	-15	-10	19 86	6 54	1 05 F	19 1	19 0	10 5	9 3	1 00	1 6	10-27-81	2184 3	220 9	7	24 2	28	1280
Morrison Inc	MORR	9 13	8 50	8 63	-25	-2 82	13 88	8 13	28	30	-51	26 28	95	01 S	1 0	6 0	3 9	8 8	32	3 7	01-04-82	319 8	12 4	1 3	2 7	7	0581
Mr Steak	MSST	2 88	2 50	2 50	-25	-9 09	4 75	2 13	53	-2 97	-4 89	-29 91	22	10 Q	76 9	-26 0	5	10 9	02	8	05-29-80	55 7	3	1 4	3 4	5	0981
Nathans Famous	NATH	1 38	1 00	1 00	-38	-27 27	1 88	63	-96	-3 49	-10 78	9 30	-87	-41 S	NE	NE	-7 9	NE	00	0	00-00-00	21 5	-1 7	4	2	2	0381
Oakbrook Cons	OKCO	9 25	9 25	9 25	00	00	12 25	9 00	31	-18	1 65	00	1 74	04 Q	2 5	13 0	1 3	5 7	32	3 5	12-10-81	133 4	1 7	8	5 6	13	0981
Orange-co	OJ	10 25	9 25	9 38	-13	-1 32	11 38	6 75	-20	-68	-2 47	-33 96	1 01	47 Q	77 0	25 0	5 4	8 7	20	2 1	02-22-82	76 2	4 1	1 9	10 2	7	0881
Piccadilly Caf	PICC	14 63	13 88	13 88	-13	-89	19 00	13 50	29	-44	2 15	-25 35	1 30	16 S	12 8	16 0	6 1	9 8	48	3 5	03-09-82	127 2	7 8	1 7	0	6	0681
Pizza Inn	PZA	5 50	5 00	5 00	-13	-2 44	11 50	4 88	-04	-71	2 66	-14 21	59	08 N	14 5	-2 0	1 4	7 9	00	0	00-00-00	120 7	1 7	1 1	14 0	6	1280
Pizza Time Trea	CHKY	24 25	21 00	21 75	-1 75	-7 45	28 25	18 00	19	87	-1 78	-15 33	58	58 F	NC	81 0	7 2	37 5	00	0	00-00-00	11 4	1	1 3	4	1	1280
Ponderosa Sys	PON	13 38	12 00	12 50	-38	-2 9*	19 75	11 75	20	-18	-1 52	-78 72	60	41 N	39 4	13 0	8	8 6	40	3 2	03-08-82	329 6	2 6	8	22 3	15	0281
Ramada Inns	RAM	5 63	5 00	5 00	-38	-6 98	12 50	5 00	-24	-72	-39	-11 53	-84	-1 43 F	-242 3	25 0	-5 5	NE	12	2 4	10-19-81	366 1	15 1	8	14 4	6	1280
Restaur Assc	RA	4 75	4 13	4 50	-13	-2 70	8 25	4 00	-22	1 64	-3 00	-53 16	97	33 F	51 5	29 0	2 4	4 6	00	0	00-00-00	95 8	1 5	1 3	3 9	5	1280
Saga Corp	SGA	23 13	20 50	20 75	-38	-1 78	23 75	12 75	58	-87	-3 49	-3 14	2 36	1 33 S	75 5	18 0	1 4	6 7	56	2 7	02-11-82	819 0	11 6	9	9 3	15	0681
Sea Galley	SEAG	9 13	7 75	7 75	-75	-8 82	17 88	6 88	83	-1 66	07	-13 05	68	13 F	23 6	50 0	4 5	11 4	00	0	06-02-81	22 9	1 3	1 6	2 3	2	1280
Servico Inc	SRVI	9 25	8 25	8 25	-1 00	-10 81	13 00	7 00	59	-2 22	5 69	-21 77	1 10	1 34 N	183 5	22 0	2 5	4 0	00	0	00-00-00	114 4	2 9	1 0	50 1	4	1280
Shoneys Inc	SHON	14 13	13 63	14 00	50	3 70	15 00	11 9*	61	-08	-3 59	18 49	1 03	20 F	24 0	21 0	2 5	13 6	16	1 1	12-28-81	269 4	14 8	1 0	2 0	5	1081
Sonesta Hote	SNSTZ	9 50	9 50	9 50	00	00	15 00	9 25	-30	-18	-5 82	50 00	2 24	09 N	6 2	80 0	3 6	6 3	20	2 1	12-28-81	137 2	5 0	1 0	19 1	9	1280
Steak n Shake	STAK	2 94	2 75	2 75	-13	-4 35	3 13	2 31	45	-1 12	-3 48	-53 38	06	-11 Q	-73 3	-36 0	5	68 8	00	0	05-17-79	56 5	3	1 2	4 6	3	0981
Vailes Steak	VLE	5 63	4 88	4 88	-63	-11 36	7 63	4 38	-23	-96	-1 12	7 14	-22	18 S	NE	-23 0	-9	121 9	00	0	11-01-78	65 6	-6	1 3	7 8	10	0381
Victoria Stations	VSTA	10 38	8 50	10 38	1 63	18 57	11 25	6 25	39	4 80	4 72	22 99	-1 85	2 11 N	NE	-32 0	-4 3	86 5	00	0	09-19-79	134 5	-5 8	1 0	9 0	10	0381
Volunteer Cap	VLCO	7 50	7 50	7 50	00	00	8 88	6 38	41	-11	-2 42	5 67	67	72 F	NE	7 0	2 1	11 2	00	0	00-00-00	62 1	-1	6	13 7	6	1280
Wendys Intl	WEN	13 75	12 25	13 38	1 00	8 08	19 38	12 25	-07	57	3 60	6 10	1 52	18 F	13 4	29 0	7 5	8 8	28	2 1	02-22-82	347 0	30 1	5	1 9	6	1280
Wendy De E	WBB	6 00	4 88	5 00	-88	-14 89	13 63	4 88	-60	-1 51	-1 02	6 23	56	14 F	33 3	-13 0	11 1	8 9	00	0	11-07-80	486 0	-4 6	1 6	21 8	13	1280

KEY: NA Not Applicable NC Not Calculable NE Negative Earnings Q First Quarter S Six months N Nine months F Fiscal year
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Saga anticipates growth of Stuart Anderson's

NEW YORK—Saga views Seattle-based Stuart Anderson's Black Angus Steakhouses as its most viable growth vehicle followed by the health care and business-industry contract feeding divisions, parent Saga Corp. chairman and chief executive officer Charles Lynch told the New York Society of Security Analysts earlier this month.

Lynch, who moved up from president to chairman last year and is leaving the presidency vacant indefinitely, said 12 to 15 new Stuart Anderson's restaurants will open this year. Five of these are slated for an initial penetration of the suburban Chicago market, and other Midwest markets such as St. Louis and Omaha will be "filled in" with more units, he indicated.

While customer counts have been down "about 2% for Stuart Anderson's" over the last few years, Lynch emphasized that "we're probably doing much better than most every other steakhouse chain."

Pointing to Stuart Anderson's as the company's "restaurant flagship," Saga executive vice president and chief operating officer Jim Morrell said price increases in the chain have been "either postponed or greatly moderated to heighten the price/value relationship."

A new cocktail lounge entertainment program has been introduced in all Stuart Anderson's restaurants to highlight more recorded music, a new appetizer menu and a television promotion to increase liquor sales, Morrell said.

"We are concentrating on human resources to strengthen management in preparation for the more rapid, and more geographically widespread, expansion planned for the division," Morrell declared.

He also noted a 21% growth in average unit sales to $417,000 for Saga's Straw Hat pizza chain in 1981. Contributing factors were an expanded pizza product line with a wide variety of styles (regular, pan, deep dish, etc.) and a rapid expansion of electronic games in the units, he said.

At the same time a Straw Hat home delivery program was launched and will be in half the company-owned units by June, Morrell said.

"We have initiated several new incentive programs to encourage an entrepreneurial spirit among our Straw Hat restaurant managers," he observed. "The programs were also designed to reduce turnover and increase stability and consistency in the performance we deliver to our customers."

As for the Velvet Turtle dinnerhouse division, Morrell said price levels "are being retained or reduced" and a few less expensive menu price items are being added "to reverse soft customer counts."

Turning to contract feeding operations, Morrell said Saga's health care division has contracted with several teaching hospitals such as Johns Hopkins and Stanford University Hospital.

"We have positioned ourselves firmly as the most professional dietary management company in the industry," he asserted. "Our food-service programs accent the medical care side to support the hospital staff in serving patient needs. We also have developed nutritional care programs to augment our services."

Saga's business and industry division has launched an asset management program that "significantly improved division returns on assets," Morrell said, and is heavily investing in a reserve management and training program to serve a projected larger customer base.

Lynch, noting that "we were severely hurt in 1979 by contracts that didn't have cost/price escalator clauses," emphasized that now all the contracts do have renegotiation clauses. This enables Saga to better control its profit margins.

Lynch disclosed that Saga is looking at various possible acquisition opportunities, "companies that are natural ones for us." He gave no names, merely stating that "our business is a service one and we're looking at related opportunities in this direction."

He emphasized "the excellent balance" under which contract feeding boosts the company during periods when chain customer counts suffer.

Saga Corp. achieved a 61% net profit rise to $10 million on an 11% revenues increase to $444 million for the six months ended Dec. 26.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Acapulco Y Los Arcos Rest.	3 mos.	1/24	$ 8.433	52			$(0.450)	—
Bob Evans Farms	40 wks.	1/29	130.988	19			10.866	19
	14 wks.	1/29	46.988	19			4.029	29
Collins Foods Int'l	9 mos.	1/31			$222.788	12	7.346	36
	3 mos.	1/31			73.486	10	2.234	14
Del E. Webb	1 yr.	12/31			497.451	2	5.319	31
	3 mos.	12/31			111.059	– 9	(9.752)	—
Dunkin' Donuts	13 wks.	1/30			17.809	9	1.614	16
Restaurant Associates	1 yr.	12/26	99.175	3			3.279	65
	13 wks.	12/26	24.464	2			0.398	– 35
Volunteer Capital	1 yr.	12/31	72.700	17			1.500	**
	3 mos.	12/31	19.300	11			0.461	**

Source: *Company earnings reports*

—loss in current year
**In millions*
***loss in previous year*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Bob Evans' net profits rise 16% for 3rd quarter

COLUMBUS, Ohio—Bob Evans Farms Inc. reported a 16% net profit rise to $2.9 million for its third quarter ended Jan. 29, compared to the year-ago period. Sales rose 31% to $22.5 million.

For the nine-month period, restaurant net profits were $10.8 million, up 26%, and sales were $68.4 million, up 27% from the year before.

Bob Evans Farms Inc. also reported that consolidated figures which include its sausage-making and selling division showed net profits for the third quarter were $7.7 million, up 31%, and sales were $47 million, up 19% from a year ago.

For the nine-month period, consolidated figures showed net profits were $20.6 million, up 19%, and sales were $131 million, also up 19%.

Four new restaurants were opened during the third quarter, bringing the number in operation at the end of the period to 77, compared with 61 a year before.

Two more restaurant openings were planned for the fourth quarter which would make 79 in operation at year-end.

Of 13 new restaurants planned for fiscal 1983, four are under construction.

Arby's earnings increase 20%

ATLANTA—Arby's operating profits rose 20% to $7.9 million in fiscal 1981, ended Dec. 31, the roast beef chain's parent Royal Crown Companies Inc. said.

Revenues rose slightly, from $69.9 million to $70.1 million.

Systemwide sales were $527 million, up from $478 million the year before, largely reflecting the addition of 93 new stores.

At year's end, there were 1,146 Arby's, of which 122 were company-operated.

Mr. Steak net increases 23% over last year

DENVER—Mr. Steak, operator of 256 steakhouses, reported net profit rose 23% to $102,000 for the first quarter ended Dec. 27, 1981, compared with the same quarter of the previous year.

Revenues edged upward less than 2% to $13.6 million.

The company attributes the increase in revenues to the conversion of 16 franchise contracts to a new contributions formula. The old contracts involved a sliding royalty rate ranging from 4% to 7% of sales, while the new contract provides for a fixed rate of 4%.

The altered contracts were apparently applied to some of the company's older franchises. Mr. Steak officials have said that the updating of antiquated franchise contracts ranks among the company's top goals for the 1980's.

Chart House profits climb 18% to $17.7 million

LAFAYETTE, La.—Chart House reported net profit for the year ended Dec. 31 rose 18% over the previous year to $17.7 million. Sales for the same period increased 13% to $353.9 million.

Chart House operates Cork 'N Cleaver and Chart House Steak Houses, Cisco's Mexican-style dinnerhouses, Luther's Barbeque restaurants and about 500 franchised Burger King units.

Net profits increased 16% to $5.3 million on a sales increase of 9% to $91.2 million during the fourth quarter compared to the same period.

The company added 24 restaurants of various concepts during the year. It also closed down the Denver headquarters of its Cork 'N Cleaver division, transferring its steakhouse operations to the offices of its steakhouse division, CHE Enterprises in La Jolla, Calif., and taking over the development of Cisco's Cafes.

The year also saw the acquisition of Luther's Barbeque, a Houston-based concept slated for growth as a franchise vehicle during the next few years, and the final stages of development of Cisco's Cafe, which is destined to supplant the Cork 'N Cleaver concept in many markets where the steakhouses have suffered from declining customer counts.

Volunteer Capital reports 4th quarter income gain

NASHVILLE, Tenn.—Volunteer Capital, operator of Wendy's and Mrs. Winner's Chicken & Biscuit restaurants, reported net income of $461,039 for the fourth quarter ended Dec. 31. This compares to a net loss of $79,225 for the same period of 1980.

Revenues for the quarter rose 11% to $19.3 million.

For the year ended Dec. 31, net income was $1.49 million, compared to a loss of $101,300 the year before. Revenues for the year increased 17% to $72.7 million.

At year's end, Nashville-based Volunteer operated or franchised a total of 49 Mrs. Winner's in three states. The company is also the largest operator of franchised Wendy's hamburger restaurants.

During 1981, average unit sales volumes for Mrs. Winner's increased 25%, to $460,447. Average store volume for the company's eastern division Wendy's rose 5%. Western division Wendy's volumes decreased slightly, from $537,569 to $535,744.

Volunteer said it has curtailed development of its southern California Wendy's franchise territory to concentrate on operations.

In 1981 Volunteer opened five Wendy's units and 14 Mrs. Winner's.

The chicken and biscuit restaurants are now Volunteer's principal growth vehicle. The first Mrs. Winner's franchise was sold last year.

Collins' earnings up 14% for 4th quarter

LOS ANGELES—Collins Foods reported a 14% net profit increase to $2.2 million on a 10% revenue increase to $73.5 million for the third quarter ended Jan. 31, compared to the same period last year.

For the nine months, net income of $7.4 million was 36% higher than the $5.4 million for the comparable period a year ago. Revenues of $223 million were up 12% over the same period last year.

Stability

James A. Collins, chairman and chief executive officer, attributed the earnings growth to "continuing stability in cost of food, lower net interest expense and divestiture of certain restaurant units which were not performing satisfactorily."

Collins said he anticipated good gains in the fourth quarter, "similar in magnitude to those achieved in the third quarter."

Operations

Collins Foods owns, operates and licenses 448 Sizzler Family Steak House restaurants and is a franchisee of Kentucky Fried Chicken, operating 237 KFC units. The company also operates six Collins Food-service distribution centers.

FINANCIAL NEWS
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UPSCALE STEAKHOUSES

The fat cats of food service—Pages 49-59

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Battle rages among chicken chains

By Joe Edwards

Fast-food chicken chains of many sizes and descriptions are embroiled in a fiercely competitive battle for market share, fueled by the growing interest in the segment among large restaurant companies and independent entrepreneurs.

Throughout the country, a large number of local, regional and national chains, both established and fledgling, are unveiling new concepts, revamping menus, mapping aggressive marketing strategies and plotting adventurous domestic and foreign expansion.

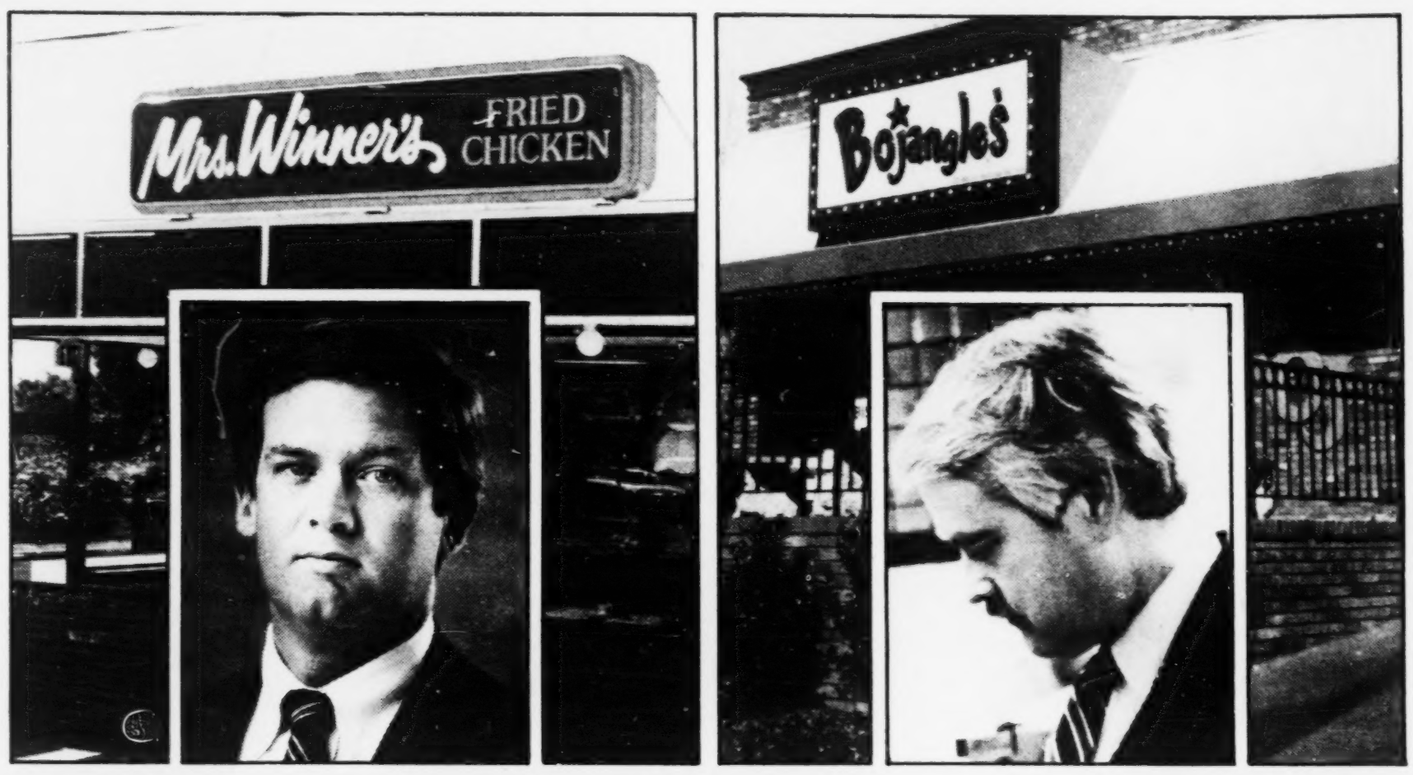
A flurry of recent mergers has given chains such as Bojangles (acquired by Horn & Hardart), Mrs. Winner's (Volunteer Capital Corp.), Famous Recipe (Shoney's Inc.), and Golden Skillet (International Dairy Queen) major growth potential.

Popeyes, the third largest chicken chain, with 300 units, is banking on the continued strength of its spicy fried chicken product in areas away from its New Orleans home market base as it carefully monitors imitators like Bojangles and Baltimore-based Chicken George. Popeyes plans to expand by 33% this year.

Two relative newcomers, Lewisville, Tex.-based Grandy's and Sisters, a 14-unit chicken and biscuits chain acquired by Wendy's, are positioning themselves in competition with family restaurants, believing consumers want a more upscale dining experience than older fast-feeders like Kentucky Fried Chicken can offer.

Kentucky Fried Chicken unveils its strategies for 1982, page 27. Popeyes has a major expansion project and a new dinnerhouse concept in the works, page 18.

Church's, the 1,360-unit chain based in San Antonio, Tex., is following a longstanding course of offering low-priced menu items.



Recent mergers have spurred growth potential in the chicken segment. Mrs. Winner's is now under the wing of Volunteer Capital Corp. and its president M. V. Hussung Jr. (left). Bojangles, with Jack Fulk Sr. (right) at the helm, was recently acquired by Horn & Hardart.

Several well-established regional chains are growing within the niches they have carved out for themselves. Georgia-based Chick-fil-A has opened most of its 240 units in shopping malls. Los Angeles-based Pioneer operates as a strictly takeout chain with new units being built in or adjacent to malls.

(Continued on page 103)

New fingerfoods spearhead BK's dinner-sales push

By Charles Bernstein

MIAMI—Burger King has refined a fingerfood shrimp and dinner basket at respective $2.69 and $2.39 prices for a 1983 national rollout. Cod, plank fries and onion rings have been dropped from the package as slower movers, and french fries and zucchini added to the larger-portion baskets.

These fingerfoods are designed to stimulate sales in the 5 p.m. to 8 p.m. period when BK has been weakest and to augment the new "Aren't you Hungry . . . for Burger King" national advertising campaign. They also are aimed at projecting BK as having a broader-based specialty niche than McDonald's.

At the same time BK is set to roll out its bacon double cheeseburger sandwich nationally in June as what it calls "the first really new burger sandwich" since McDonald's quarter-pounder (of a decade ago). The system will continue with four specialty sandwiches—chicken, fish, ham and cheese and veal parmigiana, which has replaced the roast beef sandwich.

With the bacon burger finally coming out as a new version of BK's Whopper, burger sales

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THE LURE OF THE COUNTRY

The Barrows House in Dorset, Vt., is one of several country inns visited by *NRN* in a special feature on the rewards and tribulations of the country innkeeper. Story on Pages 60-61.

Termed 'unfair'

Industry rebukes proposed tip bill

By Ken Rankin

WASHINGTON—Food-service industry leaders lashed back at proposed new Federal tip reporting requirements, charging that legislation advanced last month by key Senate Republicans would impose a multimillion dollar paperwork burden on the nation's restaurateurs and turn them into "uncompensated Federal tax agents."

Testifying in opposition to Senate Finance Committee Chairman Robert Dole's (R-Kan.) plan to require firms to report employee credit card tips directly to the Internal Revenue Service, officials from the National Restaurant Association warned that such legislation would deal an inflationary blow to thousands of food-service operators across the country.

Dole's tip reporting plan—which would apply to all restaurants employing six or more tipped workers—surfaced late last month as part of a broader legislative package aimed at trimming the Reagan Administration's proposed $91-billion-plus Federal budget deficit.

In addition to requiring employers to report charge card tips to Federal tax officials, the

(Continued on page 103)

LATE NEWSBREAKS

Charles Lynch, 54, Saga Corp. chief executive officer who moved up to chairman Jan. 1 and temporarily left the presidency open, has created a three-person office of the president. The three are James Morrell, 51, chief operating officer; Carl Randall, 42, education division president, and Jeffrey Henley, 37, chief financial officer. Morrell continues to head operations, while Henley still heads finance. Randall will head administration and development. Morrell, who was executive vice president; Henley and Randall will all be executive vice presidents. Lynch is also consolidating six divisions into three: Robert Van Horn, 50, will head education, health care and Canadian operations; Fedele Bauccio, 39, business & industry and Velvet Turtle restaurants, and Howard Berkowitz, 40, president of Straw Hat pizza and fast-food division president. Stuart Anderson's restaurants continue as a separate division under president Ralph Pica.

Valle's takeover imminent as parties mull details

By Donald Frazier

NEEDHAM, Mass.—The long-deferred management takeover of Valle's Steak Houses is on the verge of completion, according to Arthur Hansen, president of the 32-unit chain.

Management and the Valle family have agreed in principle to a deal but are still hashing out technicalities of the transaction, Hansen said. The family, heirs of founder Donald Valle, now owns two-thirds of the 2.5 million shares outstanding.

Takeover terms call for a buy-out of all publicly owned shares at $7 a share. For its portion, the family would be paid $5 a share in cash and $2 a share in subordinated notes to be redeemed at an unspecified future date.

The difficulty in completing the transaction, Hansen said, lies in the delicate negotiation necessary to implement this last feature, the issue of subordinated notes.

The total value of the sale has been placed at about $17.9 million.

Hansen assumed the presi-

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Liquidity problems

Wienerwald to refranchise units

MUNICH, West Germany—Two-thirds of the 1,550-unit Swiss-based Wienerwald restaurant group, which includes the Lums and IHOP chains in the United States, will be sold as franchises to improve liquidity, according to press reports quoting a Wienerwald executive here.

Officials of the United States chains, however, were at a loss to explain the reports, saying they were not aware of any liquidity problems and that a decision to franchise a number of company-owned restaurants in the United States had already been made last fall. The United States chains account for about one-third of Wienerwalds worldwide restaurant holdings.

According to Kurt Lichtenstein, finance manager of Wienerwald Holding AG, the cash was needed after some Wienerwald creditors became "a little disturbed." Two banks demanded repayment of $1.25 million, part of some $110 million Wienerwald borrowed over the past several years from 24 German and Swiss banks to finance expansion and acquisitions, including the United States chains.

Lichtenstein said the demand for repayment was "to be seen as a normal business transaction," and maintained that no other banks had taken similar steps.

The Wienerwald official's remarks came a few days after Friedrich Jahn, the Austrian-born founder and owner of the $924 milllion-a-year company, told reporters in Los Angeles that the company was not in any danger as long as other banks did not call in their debts. About a third of Wienerwald's $110 million debt is reportedly short-term. Jahn was reported to be traveling and could not be reached for comment.

Richard Herzer, president of North Hollywood, Calif.-based IHOP, which operates 569 International House of Pancakes, Love's and Copper Penny restaurants, was quoted as saying he was unaware "of any liquidity crisis. . . . I'm just scratching my head figuring out what this [press reports] means myself."

Peter Keil, president of the Miami-based Lums chain, said he believed the reports were an "apparent misunderstanding. I

(Continued on page 104)

NRN *to honor Fine Dining recipients*

CHICAGO—*Nation's Restaurant News* will honor its latest 10 Fine Dining Hall of Fame recipients at a champagne brunch in Arnie Morton's La Mer restaurant on Sunday, May 23. Jean Banchet, owner-chef of the famed Le Francais restaurant in suburban Wheeling, who helped Morton set up the menu here, will prepare the brunch.

The 10 *NRN* 1982 Hall of Fame winners and their owners are La Mer (Morton) and Le Perroquet (Jovan Trboyevic), both Chicago; Le Cirque (Sirio Maccioni) and the Palm (Bruce Bozzi and Walter Ganzi), both New York; L'Orangerie (Virginia and Gerard Perry), Hollywood, Calif.; Anthony's Pier 4 (Anthony Athanas), Boston; Le Lion D'or (Jean Pierre Goyenvalle), Washington; Commander's Palace, (Ella Brennan and general manager Carl Bruggemeier), New Orleans; Bern's Steak House (Bern Laxer), Tampa, Fla., and Casa Grisanti (Michael Grisanti), Louisville.

NRN's 20 Hall of Fame winners from the previous two years also are invited to the brunch to honor the current winners.

These annual Hall of Fame awards, launched by *NRN* in May 1980, are presented each year to restaurants that have maintained the highest quality and have achieved consistent all-round excellence in fine dining.

Protest grows over pending beef grading rules

By Ken Rankin

WASHINGTON—Maverick cattle groups and meat processors are joining with consumers and restaurant operators in a new wave of protest over pending Agriculture Department regulations to water down Federal beef-grading standards.

At presstime, U.S.D.A. had received over 2,500 written comments on the controversial beef-grade proposal—with more than 80% of those letters from individual consumers overwhelmingly opposed to the department's plan.

"We've rarely seen this kind of public outcry against proposed U.S.D.A. regulations," one official at the department told *Nation's Restaurant News*. "The reaction from individuals has been particularly unfavorable."

Ironically, U.S.D.A. proposed lowering the "marbling" requirements for Choice and Prime beef grades in response to a petition from the National Cattlemen's Association asserting that the change is necessary to encourage production of leaner meat demanded by consumers.

Although the department expressed similar views that the lower beef-quality standards were pro-consumer, privately U.S.D.A. officials told *NRN* that they expected the overwhelmingly hostile reaction from individuals to the plan.

What did surprise U.S.D.A. regulators, was the generally negative response from meat industry groups—including a number of local cattlemen's organizations who attacked the NCA scheme as harmful to ranchers.

In urging the department to withdraw its proposed grading changes, the Maryland Angus Association argued that reduced marbling requirements would backfire on ranchers, producing an "adverse effect on the value of beef cattle in general."

The impact on producers of Angus cattle would be particularly severe, the group said, because these steers have been specially bred to "produce high-quality beef at minimum cost."

"To lower the Choice grade standard would simply allow other less desirable animals to achieve the same recognition as Angus, but without the same high eating qualities," the Maryland ranchers warned U.S.D.A.

Cattle industry groups from other parts of the country—including both the Missouri and Iowa Cattlemen's Association and the Kansas Live Stock Association—have also broken ranks with the national rancher organization and are actively pressuring the department to maintain current beef standards.

Officials from the 97-year-old St. Louis Live Stock Exchange voiced similar concerns in comments filed with the department.

Arguing that lower Federal beef-grade standards are "not in the best interest of the American consumer or the cattle and beef industry," the Exchange warned that individuals forced to "pay Choice prices" for reduced-quality cuts "may turn away from buying beef and to some other competitive meat or poultry product."

A different industry group—the Western States Meat Association—maintained that U.S.D.A.'s proposal would cancel out efforts to promote beef consumption and create even more consumer distrust of the meat industry.

"The proposed changes present the industry in an unfavorable light at a time of intense competition from other meat and vegetable proteins," the San Francisco-based meat association maintained. "Coupled with current adverse publicity on prices, D.E.S., bone fragments, P.C.B. and adulterated beef imports, a grade standard change will accelerate the demand shift to other meats."

Beef industry middlemen represented by the American Association of Meat Processors attacked the department's grading shift from another angle, charging that the plan would actually reduce consumer demand for lean beef.

Noting that a key reason for increased purchases of less marbled beef is that it costs less, the association said U.S.D.A.'s plan "to include this leaner beef in the higher-priced 'Choice' grade" would remove "the economic incentives consumers have for purchasing this quality of beef."

Although national restaurant industry lobby groups were still drafting comments to submit to U.S.D.A. on the proposal at presstime, a number of individual food-service operators and state organizations have already filed written protests with the department.

Officials from the Florida Restaurant Association, for one, warned that the grade-quality reduction would boost beef prices to consumers and "have a detrimental effect on the food-service industry."

Ogden Food Services sells Nedick's chain

NEW YORK—Nedick's, one of the oldest fast-food chains in the United States, has been sold by Ogden Food Services Corp. of Boston.

A private investor group purchased 22 New York units and an independent operator bought one unit, according to an Ogden spokesman. Purchase price was not made public. At presstime, status of the remaining 30 or so Nedick's restaurants had not been disclosed.

Founded in 1910, Nedick's specializes in hotdogs and orange drinks. Nedick's restaurants are situated in New York, New Jersey, Connecticut and Pennsylvania. The 52 restaurants had estimated sales of $9 million in 1980.

R. Richard Ablon, president of Ogden Food Service Corp., said Nedick's was sold so Ogden could concentrate on further development in catering to sports, recreation, entertainment, travel, industrial and offshore markets nationwide.

Lewis H. Phillips, longtime Nedick's president, identified the new owners as N.Y.F. Corp. He said he did not know the principals of that company nor had he been advised of their plans.

Asked if Nedick's would continue to operate under its current name and concept, Phillips said, "I would assume so."

Phillips, once Nedick's owner, sold the chain to ABC Consolidated Corp. in 1965. A few years later, Ogden acquired ownership of Nedick's through its purchase of ABC Consolidated stock.

Wine and food lure attendees to D.C. Expo

WASHINGTON—Restaurateurs and wine tradespeople who love to talk about wine, and drink it too, will be able to get a mouthful and an earful at the International Wine & Food Expo, April 22-25 at the Sheraton Washington Hotel.

While wine is billed as the Expo's main draw, attendees won't have to do their tasting on a—figuratively—empty stomach because the program also lists two cooking demonstrations by chefs from mainland China and one by Elsie Pascoe, an Australian cook and caterer.

Almost 20 top restaurateurs, wine writers, and internationally known vintners will take the podium during the four-day event to discuss topics ranging from wine judging and tasting to wine service.

Kevin Zraly, winemaster for Windows on the World, New York; Terry Robards, *New York Times* wine editor; Robert Mondavi and Alexis Lichine, vintners, and Peter Sichel, wine exporter, are among the scheduled speakers.

Seminar topics will include "Organizing and Conducting Wine Tastings," "Food and Wine," "Merchandising Wine in Your Restaurant," and "Champagne and Sparkling Wine."

Further information on the International Wine & Food Expo is available from Bostrom Management Corp., 2600 Garden Road, Monterey, Calif. 93940.

HIGHLIGHTS IN THIS ISSUE

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8 Many corporations are becoming disillusioned with their food-service acquisitions. *NRN* editor Charles Bernstein explains why in this issue's editorial.

10 Captain Tony's Bar in Key West, Fla., is a well-known spot because its owner has a skill that isn't taught in hotel and restaurant schools, says Wine and Spirits editor Mort Hochstein.

27 KFC is testing spicy chicken and breakfast, entering the competition in the fast-food chicken segment. Former McDonald's franchisee, Robert Penrod, is unlearning his lessons as a franchisee and creating his own style of casual dining.

15 Sambo's Chapter XI bankruptcy proceedings are taking another turn with a new Federal court ruling.

74 Rusty Pelican is thriving on its new nautical decor, stepping up expansion and capturing major metropolitan markets outside its home territory.

89 Submarine sandwiches are generating profits for California franchisees as national and regional chains fight for the largest piece of the market.

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Food-service sales may soar 57% by 1985

NEW YORK—Food-service sales volume is expected to increase 57% to $165 billion by the end of 1985, according to "Strategies for New Food and Beverage Products," a report issued by Frost & Sullivan Inc.

Restaurant sales will rise 51% to $119.5 billion while institutional feeding sales will grow by 74% to $45.5 billion, the report says.

Sales of foods and beverages through retail and food-service channels will expand by 35% to $359.6 billion by the end of 1985.

Frost & Sullivan pointed out in the report that all forecasts are in real dollars and reflect expectation of continued moderate inflation in food and beverage prices.

The retail share of total food and beverage sales is expected to steadily decline from 61% in 1980 to 54% by 1985. This follows an escalation in the retail share from 58% in 1978 and 60% in 1980.

Stunted Sales

"There seems little question that food-service sales were retarded in 1979 and 1980 as a result of the second energy crisis induced by the political changes in Iran," the report says.

Frost & Sullivan expects the food-service industry to resume its growth patterns over the next five years; the report cites the trends to working wives and small households as well as the rapid increase in the number of young adults.

Between now and 1985, fish and seafoods will record the sharpest sales increase with volume mounting 46% to $5.1 billion, according to Frost & Sullivan. New products offering the most potential during the 1980's include boxed pork, substitute meats, fabricated meats, portioned control frozen meats, ethnic and regional vegetable items, freeze-dried dairy products, fruit snacks and new spices and low-sodium seasonings.

AH&MA creates tourism task force

NEW YORK—The American Hotel & Motel Association (AH&MA) has launched a task force to study factors influencing tourism.

The task force will examine how tourism and the lodging industry are affected by developments such as the granting of antitrust immunity to segments of the travel industry, the deregulation of airlines and the size of city and state tourism budgets.

The 11-member task force will be chaired by William H. Edwards, president/hotel division, Hilton Hotels Corporation, and by Bunny Grossinger, assistant to the president, Grossinger Hotel, Grossinger, N.Y.

Petersen enters guilty plea to GuadalaHarry fraud

LOS ANGELES—One of two executives who operated the GuadalaHARRY's Mexican restaurant chain for General Foods Corp. has pleaded guilty to charges of attempting to defraud the parent company.

Jerry L. Petersen changed his plea to guilty just before his trial was to begin. He and partner Harold J. Russell attempted last year to get a Newport Beach construction company to overcharge General Foods for building GuadalaHARRY's restaurants and to kick back the extra money to the two men.

Russell and Petersen were videotaped accepting $10,000 at the construction office after the construction company had notified local authorities.

Russell was sentenced to a year in prison last December after pleading guilty to conspiracy to defraud General Foods. Petersen is scheduled to be sentenced at the end of this month.

Food-service chain stock analysis table

Name	Symbol	STOCK PRICE: Two Weeks Ended March 26 High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET: Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE: Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt	Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS: Indicated Dvd. Rate Amt.	Yield	Last X-Dvd. Date	FINANCIAL POSITION: Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	4.88	4.38	4.38	-.50	-10.26	10.63	3.50	1.07	-1.42	.31	43.18	.47	-.21 Q	-50.0	8.0	4.3	20.8	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	17.63	14.75	17.50	2.38	15.70	21.88	10.00	.10	2.56	4.75	-4.38	1.66	.36 S	24.8	34.0	6.3	9.7	.22	1.3	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	25.75	23.63	25.13	1.38	5.79	37.25	23.50	.09	.41	-4.86	11.95	4.00	-1.35 Q	-26.2	-1.0	1.5	6.6	2.00	8.0	02-23-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.88	5.38	5.75	-.13	-2.13	8.63	4.88	.01	1.46	.00	29.23	.66	.11 Q	17.1	-8.0	2.6	7.7	.12	2.1	12-08-81	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	4.25	3.63	4.13	.25	6.45	4.88	2.88	.70	1.35	6.45	19.36	.62	.15 F	31.9	42.0	2.4	6.7	.00	.0	00-00-00	86.2	2.1	1.2	1.2	3	1081
Bob Evans Farms	BOBE	25.25	22.75	22.75	-.75	-3.19	25.50	17.75	.48	-2.03	-.29	-5.89	1.40	.19 N	13.5	26.0	8.0	14.3	.40	1.8	02-05-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1.38	1.25	1.38	.13	10.00	6.88	1.06	.07	.00	-1.41	8.47	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	13.50	12.38	12.50	-.13	-.99	16.88	9.88	-.33	-.39	-.36	12.34	.59	.15 F	34.0	30.0	4.3	21.2	.10	.8	03-08-82	110.9	4.4	1.0	8.5	3	1280
Cainy Food	CLNY	7.50	7.50	7.50	.00	.00	10.34	7.16	.17	.16	.64	58.33	.90	-.19 N	-16.6	7.0	2.2	7.9	.12	1.6	03-02-82	41.7	.9	.4	9.6	4	0281
Carrols Develop	CRL	5.13	4.63	4.88	.25	5.41	7.84	3.97	-.17	.38	1.15	-43.55	.86	.68 S	151.1	34.0	2.4	4.3	.09	1.8	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	18.88	18.13	18.63	.63	3.47	22.88	15.25	.70	-.25	-1.97	38.70	2.03	.31 F	18.0	12.0	5.0	9.2	.60	3.2	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	21.13	18.63	20.25	1.50	8.00	27.25	15.13	.60	-.96	3.58	-19.37	.46	.33 N	94.2	35.0	14.1	29.8	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	10.38	9.25	10.38	.50	5.06	13.88	6.63	-.13	1.11	2.19	.00	.66	-.36 S	-42.8	24.0	2.7	21.6	.40	3.9	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	28.88	26.38	28.50	1.75	6.54	37.38	25.00	.34	.46	-3.20	-6.90	3.52	.51 F	16.9	24.0	10.8	8.1	.84	2.9	01-25-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3.50	3.00	3.00	-.38	-11.11	4.00	2.50	.47	-.59	-.11	-13.85	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	2.9	.0	6.2	0	1280
Collins Foods	CF	13.00	11.88	12.50	.50	4.17	14.91	10.31	.19	.29	-3.66	-12.05	1.56	.63 N	41.4	13.0	2.8	5.8	.24	1.9	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	5.75	5.25	5.75	.50	9.52	10.13	5.25	-.37	2.09	2.69	4.40	-.08	.12 S	NC	NE	-1.5	47.9	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Dennys Inc	DEN	34.25	29.75	32.25	1.38	4.45	34.25	22.13	.33	-.35	1.02	-15.90	2.96	1.14 S	52.0	5.0	3.2	9.7	.96	3.0	03-04-82	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.63	12.25	14.63	2.38	19.39	18.25	11.13	.87	3.33	1.48	27.02	1.82	.28 Q	17.3	19.0	8.3	7.7	.30	2.1	02-05-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	8.50	7.50	8.38	1.00	13.56	9.38	5.78	.40	-.18	1.81	-26.56	1.39	.70 S	63.0	14.0	3.0	4.6	.30	3.6	03-30-82	97.0	2.9	1.2	7.2	13	0581
Hamprg Hamlet	HAMB	5.75	5.75	5.75	.00	.00	9.00	5.00	.32	.11	-3.86	.00	.27	-.15 S	-19.7	-24.0	.7	9.4	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	3.13	2.50	3.13	.63	25.00	10.25	2.25	.07	1.47	-6.31	70.83	-2.22	-2.66 F	-604.5	-38.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	36.63	32.00	35.63	3.00	9.20	52.25	32.00	-.24	-.39	3.98	-21.02	4.22	.22 F	5.5	34.0	18.4	8.4	1.80	5.1	03-01-82	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	27.38	23.75	25.75	1.50	6.19	33.25	21.88	-.03	-1.02	-.76	31.62	3.66	.74 F	25.3	27.0	7.8	7.0	.80	3.1	03-15-82	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	39.00	38.50	39.00	-3.50	-8.24	48.75	33.00	.21	.49	-.35	-93.48	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	13.25	10.50	12.88	2.13	19.77	14.00	7.28	.30	2.76	5.91	28.09	.87	.09 N	10.0	42.0	3.1	13.0	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Hungry Tiger	HTIG	6.25	6.00	6.25	.25	4.17	9.38	6.00	-.62	.15	-.59	45.45	.92	.14 S	16.6	42.0	3.2	6.4	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.75	1.56	1.63	.13	8.33	1.81	1.06	.43	-.36	-2.96	-25.00	.62	-.15 S	-21.1	28.0	2.1	2.9	.16	9.8	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.25	10.25	11.25	1.00	9.76	13.25	9.25	.28	1.89	-2.15	25.00	1.72	.38 F	28.3	50.0	6.1	6.5	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	2.00	1.75	2.00	.00	.00	3.38	1.75	-.03	3.50	-1.79	32.09	-.65	.19 S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	4.63	4.25	4.63	.38	8.82	5.25	2.88	.18	1.82	.48	-76.13	.63	.31 Q	81.5	-2.0	3.0	6.7	.00	.0	00-00-00	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	19.88	17.88	19.88	1.50	8.16	27.63	15.63	.26	1.88	2.84	11.37	1.70	.39 S	26.5	23.0	5.6	10.7	.12	.6	02-01-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3.75	3.63	3.63	-.13	-3.33	4.38	3.38	-.11	-.66	-3.87	-36.00	-.24	-.45 Q	-321.4	-32.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	16.75	14.00	16.75	2.75	19.64	16.75	10.75	.12	3.26	2.50	4.77	.58	.77 N	NC	132.0	5.9	21.8	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.63	1.63	1.63	.00	.00	9.00	1.50	.12	.00	-19.35	.00	-.60	-.39 N	NC	-96.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafe	LUB	26.88	25.50	26.50	-.13	-.47	28.25	23.19	.05	.20	.19	-4.80	1.45	.27 Q	21.7	23.0	9.1	17.5	.48	1.8	03-09-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	5.75	5.63	5.63	-.13	-2.17	7.28	5.00	.07	.11	2.77	-40.74	1.15	.04 N	3.5	7.0	5.8	4.8	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	37.25	33.00	36.00	2.00	5.88	47.00	31.63	-.14	.45	-1.59	2.73	3.20	.60 F	23.0	28.0	4.3	11.3	.30	.8	03-22-82	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	67.25	60.75	66.00	5.00	8.20	72.88	56.75	.47	.39	.66	2.68	6.54	1.05 F	19.1	19.0	10.5	10.1	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.63	8.63	9.63	1.00	11.59	13.88	8.13	.38	.74	3.53	-3.91	.95	.01 S	1.0	6.0	3.9	9.8	.32	3.3	01-04-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.75	2.50	2.63	.13	5.00	4.63	2.13	-.30	.12	-3.99	29.09	.22	.10 Q	76.9	-26.0	.5	11.4	.02	.8	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.00	1.00	1.00	.00	.00	1.88	.63	-1.89	.00	-5.68	-75.00	-.87	-.42 N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	12.25	9.00	.11	.07	.46	25.00	1.74	.04 Q	2.5	13.0	1.3	5.7	.32	3.5	12-10-81	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	9.25	7.88	8.13	-1.25	-13.33	11.38	6.88	-.68	-1.53	-1.59	63.80	1.01	.47 Q	77.0	25.0	5.4	7.5	.20	2.5	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	15.63	14.00	15.63	1.75	12.61	19.00	13.50	.40	1.52	-1.96	.00	1.30	.16 S	12.8	16.0	6.1	11.1	.48	3.1	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.38	4.75	4.75	-.25	-5.00	11.50	4.75	-.02	-1.00	3.85	37.55	.59	.08 N	14.5	-2.0	1.4	7.5	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	24.00	22.25	23.75	2.00	9.20	28.25	18.00	.12	-.08	.33	-2.08	.58	.58 F	NC	81.0	7.2	40.9	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	13.25	12.00	13.00	.50	4.00	19.75	11.75	.08	-.19	3.18	-6.70	.60	.41 N	39.4	3.0	.8	9.0	.40	3.1	03-08-82	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.13	5.13	6.00	1.00	20.00	12.50	5.00	.41	-.10	.30	-8.42	-.84	-1.43 F	-242.3	-25.0	-5.5	NE	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.75	4.00	4.25	-.25	-5.56	8.25	4.00	-.28	-.14	1.42	-10.07	.97	.33 F	51.5	29.0	2.4	4.4	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	22.88	20.25	22.00	1.25	6.02	23.75	13.00	.26	.43	-1.16	-29.26	2.36	1.33 S	75.5	18.0	1.4	7.1	.56	2.5	02-11-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	9.13	7.75	9.13	1.38	17.74	17.88	6.88	.58	1.36	-1.79	-19.13	.68	.13 F	23.6	50.0	4.5	13.4	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	9.25	8.25	9.25	1.00	12.12	13.00	7.00	.21	1.49	-2.35	-2.80	1.10	1.34 N	183.5	22.0	2.5	4.5	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	15.00	14.00	14.88	.88	6.25	15.00	11.91	.65	-.06	4.00	-15.08	1.03	.24 Q	27.2	21.0	5.5	13.3	.16	1.1	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	10.50	9.50	10.50	1.00	10.53	15.00	9.25	.06	1.09	.04	10.00	.94	-1.30 F	-58.0	64.0	1.4	11.2	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2.75	2.75	2.75	.00	.00	3.13	2.31	-.11	.11	-1.47	-46.60	.06	-.11 Q	-73.3	-36.0	.5	68.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	5.00	4.25	4.25	-.63	-12.82	7.63	4.25	-.55	-2.52	2.25	51.02	-.22	.18 S	NE	-23.0	-.9	106.3	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	10.63	9.63	10.00	-.38	-3.61	11.25	6.25	.84	-1.24	5.88	2.43	-1.85	2.11 N	NE	-32.0	-4.3	83.3	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.75	7.25	8.50	1.00	13.33	8.88	6.38	.45	3.62	3.89	17.86	.67	.72 F	NE	7.0	2.1	12.7	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	16.25	13.25	15.13	1.75	13.08	19.38	12.25	.80	-.06	2.21	-20.37	1.52	.18 F	13.4	29.0	7.5	10.0	.28	1.9	02-22-82	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.13	5.00	7.00	2.00	40.00	13.63	4.88	.73	1.17	1.99	8.71	.56	.14 F	33.3	-13.0	1.1	12.5	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Marcus Corp.'s net falls 49% in 3rd qtr.

MILWAUKEE—The Marcus Corp., a diversified company operating 110 restaurants, including 64 Big Boy coffeeshops, said its net income for the third fiscal quarter, ended Feb. 4, dropped 49% to $384,000 from results for last year's comparable period.

Revenues for the third quarter decreased by $1.2 million to $20.3 million.

Net income for the first 36 weeks were up by 0.4%, to $4.4 million, on revenues that rose 0.9%, to $64.2 million.

Steve Marcus, the Milwaukee-based company's president and chief operating officer, blamed the third quarter's results on the "worst winter weather conditions."

Aside from the Big Boys, Marcus Corp. also operates 33 Kentucky Fried Chicken, Captain's Steak Joynts and two Roy Rogers restaurants. The restaurants are located in Wisconsin, Illinois, Iowa and Minnesota.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Chi-Chi's Inc.	9 mos.	1/31			$23.388	94	$2.608	88
	3 mos.	1/31			8.931	104	0.770	66
Chock Full o'Nuts	6 mos.	1/31	$ 58.898	– 3			4.131	8
	3 mos.	1/31	29.132	– 4			0.780	– 62
Clabir Corp.	1 yr.	1/31	93.941	18			4.149	– 12
	3 mos.	1/31	22.675	28			(1.810)	—
Horn & Hardart	1 yr.	12/31	166.144	29			5.229	17
	3 mos.	12/31	46.402	24			1.548	39
Isaly Co.	1 yr.	1/31	12.473	45			(0.959)	—
Luby's Cafeterias	6 mos.	2/28			60.972	19	5.113	17
	3 mos.	2/28			30.654	20	2.552	17
People's	1 yr.	12/27	6.409	569			0.365	**
	3 mos.	12/27	3.715	569			0.205	**
Shoney's	3 mos.	2/14	86.069	19			4.932	39

Source: *Company earnings reports*

—Loss in current period
**In millions*
***Loss in corresponding period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Shoney's earnings jump 39% in first quarter

Sale of 22 KFC units helped Shoney's post a 39% net income gain in the first quarter of 1982.

NASHVILLE—Shoney's Inc., whose operations include Big Boy coffee shops and Captain D's sea fast-food restaurants, reported net income increased 39% to $4.9 million for the first quarter, ended Feb. 14, over the same period last year.

Revenues for the quarter were $86.1 million, up 19%.

The increase in net income reflected a gain from the sale of 22 Kentucky Fried Chicken units and a write-off of goodwill from a previous acquisition of a Shoney's franchisee. Net income from operations for the quarter was $4.1 million, an increase of 16%.

Shoney's sold the KFC stores, all located in Louisville, Ky., last November when it acquired the franchise rights to Famous Recipe, a 220-unit fried chicken chain. An agreement with KFC also restricted company-owned and new franchisee expansion for a one-year period.

As of Feb. 14, the company had 944 restaurants in operation, of which 342 were company-owned and 602 franchised units.

Restaurant failures reported on the rise

NEW YORK—Restaurant failures jumped from 468 for the first half of 1980 to 662 for the first half of 1981, according to figures just released by Dun & Bradstreet's Business Economics division.

Total liabilities of the restaurants that closed mounted from $146 million to $161 million.

(Restaurant closings are difficult to track in general because in many cases there is no official bankruptcy or Chapter XI reorganization filing, but rather just a shutdown of an individual restaurant or of a small group. But the total figure for the second half of 1981—not yet compiled officially by Dun & Bradstreet—is likely to soar on the basis of over 400 known closings of Sambo's restaurants last fall.)

The accelerating restaurant failure rate parallels the state of the economy and that of other businesses. D&B reported 7,883 total business failures for the first half of 1981, compared with 5,468 for the first half of 1980.

Restaurants, home furnishings and apparel stores showed the heaviest casualties among retail firms.

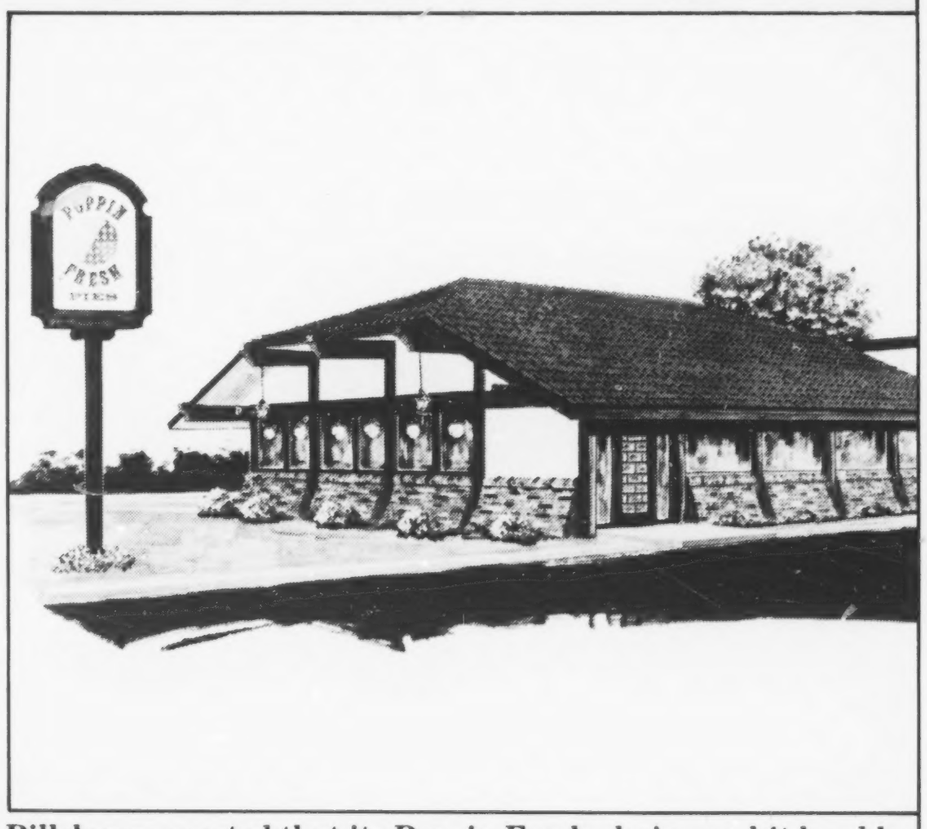
Pillsbury earnings up 5% in 3rd quarter

MINNEAPOLIS—The Pillsbury Company reported a 5% earnings increase for its restaurant group, which includes Burger King, for the third fiscal quarter ended Feb. 28.

Pillsbury said Burger King, Steak and Ale and Bennigan's all did well, but Poppin Fresh suffered from the severe winter weather. The Minneapolis-based food company did not provide any further details on the group's performance.

For the quarter, Pillsbury's net income rose 24% to $26.9 million over last year's comparable period. Sales declined slightly, from $825.4 million to $823.1 million.

For the nine months, earnings rose 8.6%, to $96.9 million. Revenues increased from $2.45 billion to $2.48 billion.



Pillsbury reported that its Poppin Fresh chain was hit hard by the severe winter weather.

Playboy claims net loss of $25.5M on casino

ATLANTIC CITY—Playboy Enterprises Inc. reported a $1 million operating loss in 1981 for the hotel and casino it operates in a joint venture with Elsinor Corp.

The Playboy hotel and casino reported a net loss of $25.5 million, including management fees and interest of $6.5 million and a write-off for preopening costs of $18 million. The preopening costs previously were deferred and were being amortized over five years.

The New Jersey Casino Control Commission is holding hearings on the suitability of Playboy-Elsinor Associates to operate the casino.

17.6% earnings gain for Luby's

SAN ANTONIO—Luby's Cafeterias Inc., a regional operator of 61 cafeteria restaurants, reported net income up 17.6% to $2.6 million for the second quarter ended Feb. 28, compared with the same period last year.

Revenues for the quarter were $30.7 million, up 20.3%.

For the six months, net income rose 17.6%, to $5.1 million, on revenues that increased 19.6% to $61 million.

S E. Rykoff buys Royal Supply

LOS ANGELES—S. E. Rykoff & Company, Los Angeles, has agreed to buy Royal Supply Co. Inc. of San Francisco.

Royal Supply, a distributor of supplies and equipment to restaurants, hotels and other foodservice customers, lists annual sales at $5 million.

Royal Supply will operate under the Rykoff name.

Hungry Tiger's 2nd qtr. net rises 14%

VAN NUYS, Calif.—Hungry Tiger Inc. reported a second quarter 14% net income increase to $442,000 on a 9% sales increase to $12 million, compared to the same period a year ago.

Profit Margin

For the current fiscal year's first half, ended Feb. 12, net income of $783,000 represented an 18% gain over last year's first half. Sales for the period were $24 million, an 11% increase over the same period last year.

Counts Up

Hungry Tiger president and chief executive officer Alan Redhead attributed the results to increased customer counts due to the introduction of a new menu and advertising campaign in the company's Hungry Tiger restaurants.

Hungry Tiger operations include 30 Hungry Tiger seafood dinnerhouses and two Breakers Seafood Company restaurants.

Peoples reports dramatic growth

DALLAS—Peoples Restaurants Inc., operator of 21 Peoples Restaurants, reported net profit for the second quarter ended Dec. 27, 1981, was $205,000 compared to a loss of $5,000 during the same period the previous year.

Sales jumped 569% to $3.7 million, while revenues soared 917% to $865,000.

The dramatic increases are attributable to the chain's growth from only two restaurants during the second quarter of 1980 to 16 by the end of the same period of 1981.

Although the company's originator, Bonanza, recently reduced its holdings in the company to about 16% of the 4,000 shares outstanding, it is still the largest single stockholder. The founders of Bonanza, the Wyly family, own 26% of People's.

READ CLASSIFIEDS

KFC sounds battle cry—competitors beware

LOUISVILLE, Ky.—Kentucky Fried Chicken is taking steps to outflank aggressive competition in the fast-food chicken segment by testing spicy chicken and breakfast and expanding rapidly through acquisitions in two key domestic markets.

Outlined last month by Michael A. Miles, senior vice president/foods for Heublein Inc., KFC's parent company, these and other strategies evidently are KFC's answer to challengers who, Miles said, "haven't caught on to our invincibility."

Plans for the year, according to Miles, include:

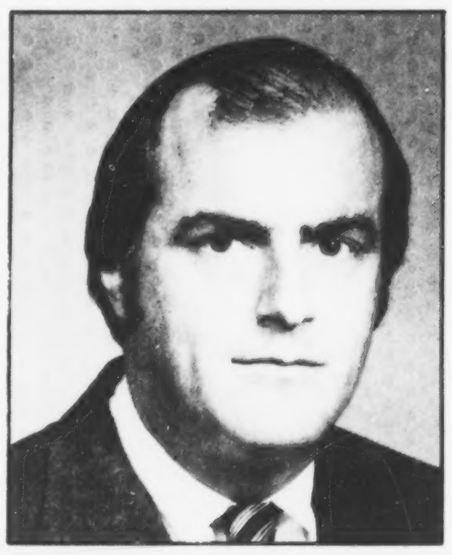
- Testing of new menu items specifically tailored to inner-city residents' tastes. The products include spicy chicken, collard greens and southern-style "dirty rice." A KFC franchisee has been testing such products in Philadelphia and, Miles said, reports "very strong initial volume response."
- Testing a biscuit breakfast menu in an unspecified number of company-owned and franchised units. This follows successful operational tests, Miles said.
- Opening four additional interior mall stores this year following the testing of a prototype mall unit which has been operating in San Diego.
- Further testing of a new prototype mini-store designed for low initial investment and high volume. One such mini-store—"the first of a possible new generation of mini-stores," according to the Heublein executive—is operating in Charleston, S.C.
- The conversion of 40 former Church's franchised restaurants in Houston and 80 Gino's-KFC units in the mid-Atlantic region to company-operated restaurants. KFC acquired the Houston units from Host International, a Church's franchisee, and the Gino's units from Marriott Corp., which recently acquired both Host and Gino's. KFC also has an option to purchase other Gino's restaurants.
- Opening 75 new company-owned units in the United States during the current fiscal year and 100 new units per year for each of the next several years.
- Accelerating an "image enhancement" remodeling program for older restaurants. More than 100 company-owned units will be remodeled this year as part of Heublein's $50 million capital expenditure program for KFC. By the end of the year, more than 635 company-owned restaurants will have a new look.
- Trying to convince more franchisees to participate in both the remodeling program and expansion programs of their own.
- Increasing the chain's advertising budget 33% on an annualized basis following an agreement by operators throughout the system to increase their advertising contributions 0.5% to 2% of total sales. Ads will concentrate on new products and lunch sales using the theme, "We do chicken right."
- Continued rollout of KFC's newest menu items, a chicken filet sandwich and Kentucky fries. The sandwich and fries are available in 3,000 and 2,800 restaurants respectively and together account for about 8% of total sales. The new products' sales continue to build "slowly but steadily," Miles said.

Miles comment about KFC's "invincibility" is an obvious response to the well-publicized moves by a new wave of chicken fast feeders who have enjoyed high sales with spicy fried chicken.

In cities where one of the newer chains moves in, KFC has noticed some sales erosion.

Chicken George, an eight-unit, Baltimore-based operation, reports average unit sales of $1.7 million, incredibly high for a fast feeder. The KFC franchisee in Philadelphia began testing spicy chicken and collard greens late last year when a Chicken George restaurant opened nearby.

KFC's average unit sales have been increasing steadily in the last three years to $427,000 in company-owned domestic units. KFC's franchised restaurants, which number 3,600 in the United States, have per-unit average sales below $350,000.



Michael A. Miles, senior vp/foods for Heublein Inc., KFC's parent company: "[The competitors] haven't caught on to our invincibility."

KFC's largest competitor, the San Antonio-based Church's, has a chainwide average per-unit volume of $400,000. But Bojangles, the North Carolina-based chicken chain poised for national expansion following its acquisition last year by Horn & Hardart, reports per-unit sales of $1.1 million. Popeyes, the all-franchised, Louisiana-based spicy chicken chain, has average unit sales of $625,000.

KFC's acquisition of 80 Church's units in Houston from Host International can be viewed as an aggressive move into Church's home state. KFC plans to convert half the units to its own concept and dispose of the others.

Perhaps more significant, though, is KFC's acquisition from Marriott of 80 Gino's restaurants in the mid-Atlantic region. Those Gino's units sold KFC products and last year contributed $2.2 million in royalties to KFC, Miles said.

KFC also holds an option to acquire other Gino's stores from Marriott Corp. (Late last year, Marriott acquired both Gino's and Host International in separate deals.)

"While the stores we're acquiring represent significant volume, the real story here is future opportunity," Miles explained to a group of consumer analysts meeting in St. Petersburg, Fla. "As a result of the total Gino's/Marriott/Heublein transaction, the master development rights for New Jersey, Maryland, Delaware, Washington, D.C, and parts of Pennsylvania and Virginia—formerly held by Gino's—will revert to KFC Corp."

The Gino's acquisitions will open up "such densely populated urban areas as Philadelphia, Newark, N.J., Baltimore and Washington, D.C., plus some highly desirable suburban areas and smaller cities, to the first really serious KFC development in that area," Miles said.

KFC also plans to expand its overseas network of company-owned and franchised restaurants both in existing markets in Japan, Australia, Mexico and Britain as well as in continental Europe, South America and the Pacific.

The International Foods Group, the corporate name for KFC International, has doubled its revenues to $256 million in the last three years and has tripled operating profits to $28 million in that span of time. In that same period, the number of stores rose from 941 to 1,256.

KFC has 145 company and 65 franchised restaurants in Australia with average unit sales of $712,000; 134 company and 218 franchised restaurants in Japan; 48 company and 287 franchised units in Britain, and 38 company and 16 franchised units in Mexico. Average store sales in those countries have been increasing at an annual rate of between 19% and 24%, Miles said.

On the domestic front, KFC's top priority apparently is building unit volume. Miles said new KFC stores have annualized sales of $525,000 each, 13% higher than the average for all company stores. Profits, he said, "are also well above average."

Customer traffic has been off at KFC in recent months, especially in the upper Midwest which has been suffering more than other regions of the country from the recession. Sales in the third quarter of the fiscal year (January-February-March) will be adversely affected not only by the economy but by the severe winter, Miles said.

H. B. Waldron, Heublein's president and chief executive, reported that the company's total food revenues were up 13% in the first half of fiscal 1982, ended Dec. 31, led by Kentucky Fried Chicken's domestic operations.

Operating income for the

(Continued on page 28)

SELECTED FAST-FOOD CHICKEN CHAINS AT A GLANCE

Company	Total Number of Units	Current Average Unit Sales	Plans for the Near Future
KFC	6,200	$427,000 (U.S. company-owned) $341,600 (U.S. franchised)	Testing spicy chicken and breakfast; adding 75 company-owned units in fiscal 1982; opening mall units
Church's	1,356	$400,000 (chainwide)	Rollout of new chicken sandwich; expansion in suburban areas; more advertising; testing fried okra, breaded zucchini and chocolate shakes
Bojangles	52	$1.1 million (chainwide)	Rapid expansion
Popeyes	275	$625,000 (chainwide)	Overseas and domestic expansion; rollout of meat pie and continued tests of other products; possible opening of family restaurant prototype
Chicken George	8	$1.7 million (chainwide)	Not available

Source: *NRN Research; company reports*

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Tampa to host small business seminar in May

TAMPA, Fla.—A special food-service industry small business seminar for Tampa Bay area restaurateurs is slated for the Host International Hotel at Tampa International Airport on Wednesday, May 19.

Speakers will include Charles Bernstein, editor of *Nation's Restaurant News;* Michael O'Neal of the Gingerman restaurant group and a prominent small business committee leader in the National Restaurant Association; John Waters, Red Lobster marketing vice president, and Tony Grappo, an operations director in Clearwater, Fla., for Steak & Ale's Bennigan's

These sessions are sponsored by the University of South Florida's Small Business Development Center here and are part of a two-week series of seminars on small business-related topics. Details are available from Pam Iorio at the university 813-974-4268 or 974-4274.

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Penrod's develops its own unique style of casual dining . . .

Penrod's restaurants tend to have an open feel broken up by the use of different levels.

By Donald Frazier

ATLANTA—To make his casual theme restaurant work the way he wanted it to, Robert Penrod had to take a hard look at the lessons he learned over eight years as a crack McDonald's franchisee—and unlearn them.

"Things are different when you no longer have the pair of golden arches overhead," the 35-year-old Florida native said. "At first, when I was trying to put together my own ideas, I didn't realize just how powerful they were."

But Penrod eventually emerged from the shadow of McDonald's uniformity to do it *his* way at his new restaurant, Penrod's. Once he discovered what it was, his way worked. He built three more restaurants. Now, the Penrod's in the Atlanta area take in about $2.6 million a year and serve about 500 people a day.

Penrod's development comes at a time when the Atlanta market is fast becoming the unofficial capital of the casual theme concept. The three national chains—Steak & Ale's Bennigan's Taverns, Gilbert/Robinson's Houlihan's and T.G.I. Friday's—are all here, and the city reportedly will play an even greater role in Bennigan's future.

Other casual concepts besides Penrod's were born here. Some are Harrison's, Copperfield's, and W. D. Crowley's, which trades under various names. Together, locals and nationals are lining the perimeter highway north of the city with a dense concentration of such establishments.

With high liquor sales, an emphasis on hot appetizers, a casual service style, suburban locations and a predominantly young, white, affluent crowd, Penrod's has much in common with others in the casual dining segment.

But Penrod's founder emphasizes differences.

His concept's decor, he terms dignified. Elements include dark wood paneling, greenery, framed pen-and-ink drawings on the walls and, overhead, Tiffany-style glass lamps designed especially for the restaurant.

Interior layout also differs from that of at least some competitors. Instead of being segmented into various areas, the Penrod's restaurants tend to have an open feel. They are multileveled and focused on an island-type bar.

This layout, Penrod said, allows patrons to move easily between various areas—and, thus, experiences—than does the segmented floor plan favored by some others.

KFC sets aggressive '82 strategy

(Continued from page 27)

food service and franchising group (KFC-USA) was $40.8 million in 1981, which Miles called "a significant improvement from the dark days" of 1978 when operating income was just $16.8 million.

In the first six months of fiscal 1982, average unit sales in company-owned stores were up 12%, or 3% after adjustments for inflation, Miles said. Sales at franchised stores rose 8% in the first half, remaining well below the company level.

Sales were flat in October, November and December but Miles projects average store sales at company-owned restaurants to reach $452,000 by the end of the current fiscal year.

"The economy in many of our markets is now so bad that the only way it can go from here is better," Miles said, adding that he expected sales to improve with the arrival of warmer weather. Unit sales in the upper Midwest, KFC's major market, "slowed down suddenly and dramatically" in the second quarter.

Miles said "industry research data" shows KFC outperforming the competition and building its share of market even though "our sales growth has slowed." One major problem continuing to nag the company is "the disappointing rate of new store openings and image enhancements" by franchisees.

Some industry analysts have remained unimpressed with KFC's performance, despite the dramatic turnaround at the company since 1978. Church's often receives higher marks from analysts in the areas of management, food quality and price-value.

KFC has also been unsuccessful in building its lunch-hour sales, although its chicken sandwich is expected to help.

McDonald's, Burger King, Hardees and other hamburger fast feeders have added chicken sandwiches and other chicken products to their menus in the last two years, increasing the pressures on KFC.

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*Conducted by Procter & Gamble among men and women ages 18-50.
**Responses from store managers using the P&G Program in 16 major foodservice chains.

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WINE & SPIRITS
The emphasis is on price/value—Pages 41-52

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Michael McCarty, owner of Michael's, Santa Monica, Calif.: "We're in pretty good shape. Actually business is a little better than last year. Sales are up and counts are steady."

Tablecloth operators withstand recession

By Joe Edwards

Operators of some of the leading tablecloth restaurants in the United States are reporting increases in customer counts and sales despite the recession but are expressing concerns about the future should the current economic crisis worsen.

Recession-related hardships have not yet trickled up the economic ladder to affect the generally freespending customers in the fine dining segment, according to past winners of the Fine Dining Hall of Fame awards presented annually by *Nation's Restaurant News.*

(This year's Hall of Fame winners will be honored Sunday, May 23, at a champagne brunch awards ceremony during the National Restaurant Association show in Chicago. A special section reporting on the 1982 winners will appear in the May 24 edition of *NRN.*)

Past winners, however, said in recent interviews that they have been noticing cutbacks in expense-account spending, more cancellations than usual and the first polite rumblings of price resistance from their customers.

Several operators have taken steps which are unusual in this select segment, including menu price freezes and the introduction of special, lower-priced menus. Others maintain that their reputations for high quality and excellence in food, service and ambience will protect them if the recession spreads.

Despite some uneasiness, though, fine-dining establishments are uniquely positioned to weather the economic storms which have placed so many burdens on operators in other areas of food service.

"The really top restaurants in the city—Lutece, Grenouille, Four Seasons, the "21" Club—are not really affected," declared Paul Kovi, co-owner of the Four Seasons in New York. Jerry Berns, co-owner of the "21" Club which has weathered one Great Depression and many recessions, agreed. "The economy doesn't affect us," Berns stated. "We're very unique, you know. People need us."

Michael McCarty, owner of

(Continued on page 97)

BK changes propel Ruenheck, Campbell to top exec positions

By Roman Czajkowsky

MIAMI—Burger King has promoted Burger King U.S.A. president Jerry Ruenheck to the new post of president and chief operating officer of Burger King Corp. J. Jeffrey Campbell, marketing executive vice president for the Pillsbury subsidiary, succeeds Ruenheck as Burger King U.S.A. president.

The moves free Louis Neeb, Burger King Corp. chairman and chief executive officer, of operating responsibilities. He will concentrate on long-range planning, the company said.

In another major development, company officials said that for the first time in its corporate history, Burger King will be seeking to acquire other restaurants, and possibly one or more chains, to enable the hamburger chain to grow more rapidly in the face of an intensified battle for market share.

The management realignment bears the stamp of Norman Brinker, the founder of Pillsbury's Steak & Ale restaurant division who recently was named president of a new restaurant group formed by Minneapolis-based Pillsbury. Brinker, one of Pillsbury's larg-

New Burger King U.S.A. president J. Jeffrey Campbell is taking aim at BK's top rival, McDonald's, page 2.

(Continued on page 98)

NRN PROFILES AMERICAN CHEF

***Nation's Restaurant News* begins a series of profiles on some of the chefs who influence the way America eats. This issue: Barry Wine of New York's Quilted Giraffe. See page 65.**

Declines presidency

Laughery steps aside at NRA

By Charles Bernstein

WASHINGTON—Confronted with an overwhelming job in the recently concluded Hardee's-Burger Chef merger, Hardee's chairman and president Jack Laughery has decided he cannot serve as president of the National Restaurant Association.

"I face a herculean task in meshing two major food-service companies into one homogeneous and efficient organization," he wrote NRA chairman Walter Conti (whom Laughery was slated to succeed May 24 as the No. 1 NRA executive) shortly after the closing of Hardee's acquisition of Burger Chef. "I must now recognize that I could not complete the

(Continued on page 97)

LATE NEWSBREAKS

Howard Johnson is testing a new restaurant concept called Chatt's in Chattanooga, Tenn. A second Chatt's will open soon in Plainview, N.Y. The new concept, more formal than HoJo's standard restaurants, is scheduled for utilization only at motor lodge locations.

Playboy Enterprises was to decide at presstime whether to sever its ties with its founder and principal owner, Hugh Hefner, or lose its right to operate a casino in Atlantic City, N.J. The deadline was set by the New Jersey Casino Control Commission, which ruled that the company was unsuitable to operate the $150 million facility unless Hefner left.

Church's Fried Chicken reported a net profit of $7.9 million for the first quarter ended March 21, a 6% drop from the year-earlier period. Revenues slipped 2% to $87 million.

Piszek sells Treacher's to franchisee

By Donald Frazier

YOUNGSTOWN, Ohio—The Arthur Treacher's system, severely damaged by management miscalculation and a franchisee revolt, and enfeebled by a series of lawsuits, has changed hands for the second time in three years.

Edward Piszek Sr., the frozen seafood magnate who built Mrs. Paul's Kitchens, sold the ailing fast-food chain for an undisclosed price to a franchisee who has been in the food-service industry for about a year. Piszek had agreed to sell Mrs. Paul's itself a few days earlier. *(See story page 20)*

The new owners of Arthur Treacher's, Lumara Foods, operates seven of the fish and chips restaurants here and four franchised units for Church's Fried Chicken in the Louisville, Ky., area. Its principals, Louis G. Dinardo and Robert T. Moosally, are in the construction and real estate development business.

They will move the headquarters of Arthur Treacher's from Philadelphia to Youngstown. According to Lumara general counsel James R. Cataland, the new owners will soon begin to assemble new departments for franchise services, advertising, marketing and product development—all areas which most franchisees claim had been neglected by previous management.

They are expected to name new key management personnel shortly, both from inside and outside of the present organization. The president of Arthur Treacher's, William Piszek, is expected to stay with the family organization. He is only one of a succession of managers to head Treacher's under the Mrs. Paul's reign. A family friend and Edward Piszek Sr.'s youthful son, Edward Piszek

(Continued on page 96)

MEN-IN-THE-NEWS

Astute leaders behind chains' successes

Burger King's Campbell poised to take on No. 1 rival

By Roman Czajkowsky

MIAMI—J. Jeffrey Campbell claims to trace his lineage back to the original Campbell, Capt. Robert Campbell, fifth laird of Glenlyon, who in 1682 at the battle of Glencoe massacred a rival clan—the MacDonalds.

Naturally, Campbell, who recently was named president of Burger King U.S.A., hopes the past will repeat itself as he's preparing to take on the burger chain's No. 1 rival.

The task will be formidable: With over 6,000 units, McDonald's is twice as large as Burger King; has an advertising budget several times bigger, and runs a tighter ship than Burger King on the operational level.

But colleagues who've watched Campbell's fast rise up Burger King's ranks think he's got the background, attitude and imagination necessary to do his share in pulling the hamburger chain into head-to-head combat with McD's.

"He's a get it done now, a very, very decisive person," said Kyle Craig, who was named to fill Campbell's former post as senior vice president for marketing.

Craig recalled that when an advertising agency presented Campbell with several proposals for a new ad campaign last year, "when the whole presentation was over, Jeff wasted no time and said, '*That's* the campaign I want.' He didn't say, 'Let's research this.' He trusts his instincts, he says 'let's do things, let's create an impact.'"

Added Craig: "He believes this is a simple business, that it's not so complicated, that all that's involved is [offering customers] convenience, price value, quality and marketing."

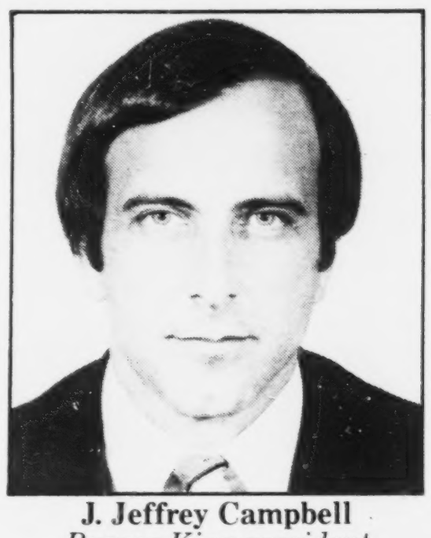
Campbell is a tall, lanky 37-year-old who speaks in short, rapid sentences, radiates energy and is quick with a quip. And while he says he takes his business "very seriously," he also adds that he's out to have "some fun":

"If business is fun, it gets done better," he told an interviewer. "After all, we're in the *hamburger* business."

A native of Brooklyn, N.Y., Campbell received a bachelor of arts degree in psychology from Fairfield University in Connecticut and a master's degree in marketing from Columbia University. He then served in the U.S. Army as a paratrooper in the 82nd Airborne—a "camp for boys," he recalls.

Armed with his degree in marketing, Campbell began his professional career as an account executive with a New York advertising agency, working on a Burger King account. He joined Burger King in 1971 as advertising manager, was promoted to marketing manager, and then to vice president, marketing management.

Eager to learn the business from the operations side, Campbell became region general manager in Minneapolis and New York. In 1978 he was



J. Jeffrey Campbell
Burger King president

placed in charge of the New York region, where he was responsible for restaurant operation, personnel management, real estate, engineering, franchise sales and marketing.

Burger King officials said that under Campbell, Burger King grew at a much faster rate than McDonald's in the New York area. In the past five years, BK added 120 new restaurants there, while McD's opened 74.

Campbell admits that his fast promotion to president of Burger King U.S.A. took even him by surprise, though he acknowledges gunning for that post from the start.

His performance as head of marketing apparently caught the eye of Norman Brinker, the recently named restaurant group president of Pillsbury, Burger King's parent company. Said one Burger King official: "Brinker was impressed with Campbell's leadership. He [Campbell] demands quality, but he brings you up to a certain level."

Friendly's Staggs evaluates market, halts growth

WILBRAHAM, Mass.—Back in the mid-1970's, when James Staggs was still executive vice president of Friendly Ice Cream Corp., the chain expanded into the Midwest where it was hoped it would gain as loyal a following as it enjoyed in its New England base. But when time passed and sales at the Midwestern ice cream and sandwich shops continued to be ho-hum at best, management halted all new expansion, re-evaluated operations, and struck out on a new course.

The upshot was a transformation of the ice cream parlor of old into a coffee shop concept with a broad-based consumer following. But even before the decision was taken to transform most of the now 622-unit chain, Staggs already had set in motion a search for a new concept that would be responsive to a changing market place.

Foresight

"I think Staggs recognized very early that instead of continued ice cream parlor operations, we should begin investigating what would be the successful concept for the future," said Donald Ryan, a former Friendly official whom Staggs placed in charge of that project. "He had the vision that change was needed even before most others realized that our small ice cream shops would not do," said Ryan, now vice president of food service at Montgomery Ward.

This month, Staggs moved up from chairman to vice chairman of Friendly, a Hershey Foods Corp. subsidiary. Staggs, 54, who had been chief executive officer since January 1981, succeeds retiring Robert Gaudrault and continues as ceo.

Conservative Growth

Described as a soft spoken, introspective man, Staggs is expected to continue the chain's conservative approach to growth. Though in recent years Friendly has taken on a more combative marketing stance to fend off increasing competition in its market segment, only a small number of units have been added to the system. Instead, management's efforts have focused on menu enhancement and service standards at the all-company-operated chain.

Worked His Way Up

Staggs has spent his entire professional career with Friendly, working his way up from manager trainee to his current position. His ability to deal with people was recognized as early as 1952—three years after he joined Friendly—when he was named training supervisor.

"Staggs has an uncanny sense for identifying talent and getting them to work," said Ryan. "He's a people-oriented person." *(See related story on page 60.)*

Beefsteak Charlie's diversifies as ShowBiz Pizza franchisee

NEW YORK—Beefsteak Charlie's, operator of a string of dinnerhouses along the Eastern Seaboard, is seeking to become a major franchisee of ShowBiz Pizza Place, a fast-growing pizza restaurant chain that features animated entertainment and video games.

The two companies said in a statement that discussions were being held on Beefsteak Charlie's developing ShowBiz franchises in parts of Connecticut, Maryland, Massachusetts, New Jersey, New York and Pennsylvania. They cautioned, however, that an agreement was "not assured." Both companies are publicly owned.

A Beefsteak Charlie's spokesman said a decision was expected by mid-April.

ShowBiz is an 80%-owned subsidiary of Brock Hotel Corporation, a major Holiday Inn franchisee based in Topeka, Kan. It currently operates 60 ShowBiz Pizza restaurants, all company-owned, in 16 states primarily in the Southwest and Sunbelt. According to a report filed with the Securities and Exchange Commission, as of March 31, the subsidiary had also sold 34 area franchises. The agreements call for the development of 111 restaurants in 15 states and Washington, D.C., over the next five years.

How It Works

The typical franchise agreement calls for an initial $25,000 fee per restaurant and annual royalties amounting to 4½% of sales. Franchisees must also contribute an additional 1% of sales to a national advertising fund.

In 1981, the typical ShowBiz restaurant averaged $1.45 million in revenues, of which about 68% were food and beverage sales. Games accounted for 29%. Fully 70% of games' revenue is said to fall directly to the bottom line.

Brock Hotel Corp., which had net income of $7.1 million on revenues of $165.1 million in 1981, is currently negotiating an out-of-court settlement with Pizza Time Theatre, its former co-developer of restaurant/entertainment centers. The companies filed suits against each other for alleged breach of contract.

New York-based Beefsteak Charlie's Inc. operates 65 restaurants, including 63 Beefsteak Charlie's that specialize in beef products, barbecued baby back ribs and seafood. Three of the restaurants are franchised. In 1981, the company's income, excluding an extraordinary item, was $2.1 million. Sales were $88 million.

Games and giveaways top list of promotions

PURCHASE, N.Y.—Games and giveaway promotions dominate the chain branch of Pepsi-Cola's Food-Service division's ninth annual Most Valuable Promotion (MVP) awards. Glassware, coupon and public service promotions also are prominent as part of a widespread push to boost customer counts from their generally flat situation.

The Winners

Six judges, meeting here at PepsiCo corporate headquarters this month, selected 12 winners from among 116 entries and one overall MVP winner. The judges were the chief editors of the three leading food-service publications and executives of three other promotion-oriented organizations.

Winners will be revealed at Pepsi-Cola's MVP awards luncheon in the downtown Chicago Marriott Monday, May 24, during the National Restaurant Association Show.

The Categories

The five categories in the MVP contest are food-service operations with under 31 units, which received by far the most entries; chains of 31 to 100 units; chains of over 100 units; institutional feeders, and hotel, motel and movie theater food-service operators.

HIGHLIGHTS IN THIS ISSUE

8 Customers may not always be right, but they must be treated with respect, says *NRN* editor Charles Bernstein, warning operators that restaurants today cannot afford to lose potential customers over the carelessness of poorly trained and motivated employees.

10 Site selection techniques and market research information were provided at a restaurant site selection seminar sponsored by *Nation's Restaurant News* in conjunction with parent Lebhar-Friedman's Center for Retail Management.

14 Denver's Ichabod's restaurant sells more than 350 cases of imported beer per month at about $2.25 a beer. *NRN* Wine and Spirits columnist Mort Hochstein explains the restaurant's strategy in saving lots of money on advertising while building customer loyalty.

38 Luby's executives are minimizing the dangers of K mart-backed Furr's expansion in key Texas markets.

58 Food service holds great opportunities, but only for those sensitive to customer's needs and flexible enough to roll with a changing marketplace, *NRN* publication director Thomas Haas told this year's graduating class of the Culinary Institute of America.

73 Morrison Inc. has purchased the 17-unit Ruby Tuesday chain based in Knoxville.

REGULAR FEATURES

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FINANCIAL NEWS

Shrinking profits trigger changes at Pizza Inn

DALLAS—Despite an 11% gain in revenues, profits at Pizza Inn Inc. last year continued to erode, falling below the 1974 level.

For the year ended Dec. 27, the company reported a $1.4 million profit, down 18% from the roughly $1.7-million level maintained from 1978 through 1980.

Revenues, however, increased 11% to $138.8 million last year.

The chain shrank from 754 units at the end of 1980 to 731 units at the end of 1981. The average number of company-operated stores open during 1981 dropped to 326 from 354 the year before.

Pizza Inn president and chief executive F. Joseph Spillman attributed the depressed 1981 earnings to a combination of planned expenditures and the worst fourth quarter in at least three years, traditionally one of the strongest quarters.

Fourth quarter profits fell to $30,000 last year, down from $399,000 in 1980 and $299,000 in 1979. Fourth quarter revenues fell 6% to $35.1 million.

Raymond D. Phillips, senior vice president for finance, conceded, "Pizza Inn has been flat for the past several years. "We've sold some units, closed others. It's part of our plan before we can start back into an expansion mode."

"We spent," he continued, "$1.1 or $1.2 million in new field supervision and training—which is about $100,000 per month—for the new sandwich lines and the Sicilian Topper program."

In addition, he said, the company budgeted an additional $722,000 in a reserve for delinquent franchisee accounts.

For the fourth quarter, he said, "We didn't react fast enough—maybe that's our fault—in the area of labor, cutting back when customer counts fell off."

He said, however, that for the first quarter of 1982, revenues are running 14% higher than last year's $29.6 million.

Pizza Inn, which is publicly owned but largely controlled by Spillman, the founder, has been suffering profit erosion since 1975 when the company made $2.3 million on $39.1 million in revenues.

Following 1975, in 1976 and 1977, the company made $2.2 million in profits each year.

Domino's Pizza continues rapid growth

ANN ARBOR, Mich.—Domino's Pizza, the system of 582 pizza delivery shops in 44 states, reported net profit rose 28% to $1.8 million for 1981. Sales for the year were up 62% to $179.2 million.

The chain grew by almost 52% in total units and entered six new states during the year. Expansion plans call for 900 stores by the end of 1982, and 2,000 by the end of 1984.

The company imposed controls on franchise growth during the year, limiting new franchise sales to past or present employees to ensure the units are run by those who are acquainted with Domino's operations. The chain is now about two-thirds franchised.

The limited menu, the lack of in-house service, the ease of pizza preparation and the low start-up cost of a Domino's unit have been cited by the company's management as reasons for its rapid growth in a difficult economic climate.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended April 9							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt	Pct			Latest P/E Ratio	Amt	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
		$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	4.50	4.38	4.38	.00	.00	10.63	3.50	-.44	-.50	-4.70	43.45	.47	-.21	Q	-50.0	8.0	4.3	20.8	.00	0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	18.63	17.25	17.63	.13	.71	21.88	10.00	.31	-1.00	2.25	-23.21	1.66	.36	S	24.8	34.0	6.3	9.7	.22	1.2	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	26.63	24.75	25.63	.50	1.99	37.25	23.50	.11	-.49	-6.74	-5.56	4.00	-1.35	Q	-26.2	-1.0	1.5	6.8	2.00	7.8	02-23-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	6.38	5.88	6.38	.63	10.87	8.63	4.88	.07	.15	8.09	15.74	.66	.11	Q	17.1	-8.0	2.6	8.5	.12	1.9	12-08-81	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5.50	4.13	5.50	1.38	33.33	5.50	2.88	1.34	4.16	6.84	-24.79	.62	.16	Q	32.6	32.0	2.4	8.5	.00	0	00-00-00	86.2	2.1	1.2	1.2	3	1081
Bob Evans Farms	BOBE	26.00	23.50	25.75	3.00	13.19	26.00	17.75	.15	.26	.98	-7.12	1.40	.19	N	13.5	26.0	8.0	16.2	.40	1.6	02-05-82	147.0	11.8	1.9	0	6	0481
Bonanza Intl Inc	BNZA	1.69	1.38	1.63	.25	18.18	6.88	1.06	.81	-1.39	-1.49	-67.72	.24	-1.49	N	-647.8	-37.0	4.2	NE	.00	0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	15.75	12.38	15.25	2.75	22.00	16.88	9.88	.19	.36	1.41	-41.39	.59	.15	F	34.0	30.0	4.3	25.8	.10	.7	03-08-82	110.9	4.4	1.0	8.5	3	1280
Cainy Food	CLNY	8.00	7.75	8.00	.50	6.67	10.34	7.16	.09	-.24	2.72	-30.77	.90	-.19	N	-16.6	7.0	2.2	8.4	.12	1.5	03-02-82	41.7	.9	.4	9.6	4	0281
Carrols Develop	CRL	5.38	4.88	5.38	.50	10.26	7.84	3.97	.20	.42	.79	27.92	.86	.72	N	163.6	35.0	2.4	4.6	.09	1.7	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	21.63	18.75	21.63	3.00	16.11	22.88	15.25	.61	2.85	7.54	11.26	2.03	.31	F	18.0	12.0	5.0	10.7	.60	2.8	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	23.38	20.38	23.38	3.13	15.43	27.25	15.13	.55	1.40	.80	-26.74	.46	.33	N	94.2	35.0	14.1	34.4	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	12.63	10.13	12.00	1.63	15.66	13.88	8.38	.50	.13	3.97	-23.05	.66	-.36	S	-42.8	24.0	2.7	25.0	.40	3.3	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	32.75	28.25	31.00	2.50	8.77	37.38	25.00	.51	.14	8.66	35.58	3.52	.51	F	16.9	24.0	10.8	8.8	.84	2.7	01-25-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3.00	3.00	3.00	.00	.00	3.63	2.50	-.08	-.21	1.00	-18.09	-1.43	-1.09	F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	14.63	12.63	13.88	1.38	11.00	14.91	10.31	.34	-.69	-.45	-29.92	1.56	.63	N	41.4	13.0	2.8	6.5	.24	1.7	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7.25	6.00	7.25	1.50	26.09	10.13	5.25	.65	1.40	5.28	11.09	-.08	.12	S	NC	NE	-1.5	60.4	.00	.0	00-00-00	6.8	-.1	.8	6	1	0581
Dennys Inc	DEN	25.00	21.75	23.50	2.00	9.30	25.00	14.75	.32	-.15	6.64	55.63	1.97	.76	S	52.0	5.0	3.2	10.6	.64	2.7	04-02-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	16.25	15.00	16.25	1.63	11.11	18.25	11.13	1.27	.28	3.92	-18.87	1.82	.28	Q	17.3	19.0	8.3	8.6	.30	1.8	02-05-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	9.00	8.25	9.00	.63	7.46	9.38	5.78	.27	.73	3.06	35.63	1.39	.70	S	63.0	14.0	3.0	5.0	.30	3.3	03-30-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	5.75	5.50	5.50	-.25	-4.35	9.00	5.00	-.19	-1.63	-9.38	50.00	.27	-.15	S	-19.7	-24.0	.7	9.0	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	3.13	3.00	3.00	-.13	-4.00	8.75	2.25	.15	-.21	-6.62	50.00	-2.22	-2.66	F	-604.5	-38.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	39.63	35.63	39.25	3.63	10.18	52.25	32.00	.08	.66	1.55	9.64	4.22	.22	F	5.5	34.0	18.4	9.3	1.80	4.6	03-01-82	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	28.38	25.50	28.13	2.38	9.22	33.25	21.88	-.22	.55	-2.41	21.96	3.66	.74	F	25.3	27.0	7.8	7.7	.80	2.8	03-15-82	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	39.00	39.00	39.00	.00	.00	48.75	33.00	-.52	-.24	-9.18	.00	NA	NA		NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	15.75	12.88	15.50	2.63	20.39	15.75	7.28	1.04	.44	9.99	5.04	.87	.09	N	10.0	42.0	3.1	15.7	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Hungry Tiger	HTIG	7.25	6.25	7.25	1.00	16.00	9.38	6.00	-.02	.84	11.59	-60.52	.92	.14	S	16.6	42.0	3.2	7.4	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.75	1.56	1.75	.13	7.69	1.75	1.06	.18	.55	-7.96	-72.22	.62	-.15	S	-21.1	28.0	2.1	3.1	.16	9.1	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.00	9.75	11.00	-.25	-2.22	13.25	9.25	.27	-.23	6.04	-63.95	1.72	.23	Q	15.7	38.0	6.1	6.5	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	2.38	2.00	2.38	.38	18.75	3.38	1.75	.13	2.60	3.79	-1.63	-.65	.19	S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	5.88	4.63	5.88	1.25	27.03	5.88	2.88	.62	4.35	12.27	53.95	.63	.31	S	75.6	-1.0	3.0	8.2	.16	2.7	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	21.00	20.13	21.00	1.13	5.66	27.63	15.63	.31	.36	7.05	44.28	1.70	.39	S	26.5	23.0	5.6	11.3	.12	.6	02-01-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3.75	3.63	3.63	.00	.00	4.38	3.38	-.58	-.26	-5.59	15.00	-.24	-.45	Q	-321.4	-32.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	17.00	16.50	16.75	.00	.00	17.00	10.75	.50	-.55	1.41	19.14	.58	.77	N	NC	132.0	5.9	21.8	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.63	1.63	1.63	.00	.00	9.00	1.50	-.14	-.20	-19.35	.00	-.60	-.39	N	NC	-96.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafe	LUB	27.00	25.50	26.88	.38	1.42	28.25	23.19	-.24	.64	5.90	3.63	1.45	.27	Q	21.7	23.0	9.1	17.8	.48	1.8	03-09-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	5.63	5.38	5.50	-.13	-2.22	7.28	5.00	-.34	-.35	-1.71	19.74	1.15	.04	N	3.5	7.0	5.8	4.7	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	39.25	35.88	39.00	3.00	8.33	47.00	31.63	-.07	.59	2.27	6.65	3.20	.60	F	23.0	28.0	4.3	12.2	.30	.8	03-22-82	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	70.00	65.25	69.88	3.88	5.87	72.88	56.75	.36	.38	1.41	-3.41	6.54	1.05	F	19.1	19.0	10.5	10.7	1.00	1.4	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	10.25	9.75	10.25	.63	6.49	13.63	8.13	.49	1.01	3.16	.79	.95	.15	N	16.6	7.0	3.9	9.8	.36	3.5	04-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.63	2.50	2.50	-.13	-4.76	4.50	2.13	-.58	-.25	-5.83	34.62	.22	.10	Q	76.9	-26.0	.5	10.9	.02	.8	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.00	1.00	1.00	.00	.00	1.88	.63	-1.01	-.63	-9.36	50.00	-.87	-.42	N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.00	9.00	-.25	-2.70	12.25	9.00	-.16	-.72	-2.86	.00	1.74	.04	Q	2.5	13.0	1.3	5.6	.32	3.6	12-10-81	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	9.25	6.88	8.63	.50	6.15	11.38	6.88	-.81	-1.31	2.52	-52.72	1.01	.12	S	13.4	25.0	5.4	8.5	.20	2.3	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	17.13	15.75	16.88	1.25	8.00	19.00	13.50	.59	-.74	-.92	-21.62	1.30	.16	S	12.8	16.0	6.1	12.0	.48	2.8	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.75	4.75	5.38	.63	13.16	11.50	4.75	-.06	-.35	2.23	16.67	.50	-.08	F	-13.7	-5.0	1.0	10.8	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	26.50	23.75	26.00	2.25	9.47	28.25	18.00	.32	.34	4.66	-14.19	.58	.58	F	NC	81.0	7.2	44.8	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	16.13	13.63	16.00	3.00	23.08	19.75	11.75	.49	2.19	2.27	42.50	.60	.41	N	39.4	3.0	.8	11.0	.40	2.5	03-08-82	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.13	5.50	5.75	-.25	-4.17	12.50	5.00	.44	-1.79	1.78	-3.52	-.84	-1.43	F	-242.3	-25.0	-5.5	NE	.12	2.1	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.63	4.25	4.50	.25	5.88	8.25	4.00	-.11	-.49	-2.25	1.85	.97	.33	F	51.5	29.0	2.4	4.6	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	26.63	22.38	26.13	4.13	18.75	26.63	14.25	.50	.44	5.53	-24.63	2.36	1.33	S	75.5	18.0	1.4	8.5	.56	2.1	02-11-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	9.63	8.88	9.63	.50	5.48	17.88	6.88	.24	.65	.75	-3.67	.68	.13	F	23.6	50.0	4.5	14.2	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	9.50	9.25	9.25	.00	.00	13.00	7.00	.15	-.72	-6.26	-39.71	1.10	1.34	N	183.5	22.0	2.5	4.5	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	16.00	14.88	15.88	1.00	6.72	16.00	11.91	.37	.83	4.47	7.20	1.03	.24	Q	27.2	21.0	5.5	14.2	.16	1.0	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	10.50	10.50	10.50	.00	.00	15.00	9.25	.35	-.24	5.42	10.67	.94	-1.30	F	-58.0	64.0	1.4	11.2	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2.75	2.75	2.75	.00	.00	3.13	2.31	-.31	-.23	-2.03	-56.98	.06	-.11	Q	-73.3	-36.0	.5	68.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	5.50	4.38	5.38	1.13	26.47	7.38	4.25	-.15	-.59	1.85	-62.50	-.22	.18	S	NE	-23.0	-.9	134.4	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	11.00	10.00	10.88	.88	8.75	11.25	6.25	.65	1.54	3.77	10.99	-1.85	2.11	N	NE	-32.0	-4.3	90.6	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	9.13	8.63	9.13	.63	7.35	9.13	6.38	.75	-.28	4.02	-10.25	.67	.72	F	NE	7.0	2.1	13.6	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	16.13	14.88	15.88	.75	4.96	19.38	12.25	.84	-.16	.32	12.19	1.52	.16	F	13.4	29.0	7.5	10.4	.28	1.8	02-22-82	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	8.75	7.00	8.13	1.13	16.07	13.25	4.88	1.63	.24	4.46	-15.80	.56	.14	F	33.3	-13.0	1.1	14.5	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Sambo's registers $53M net loss in '81

CARPENTERIA, Calif.—Sambo's reported a $53 million net loss for the year ended Dec. 31, compared with an $11.6 million loss in 1980.

The financially ailing company, operating under Chapter XI of the Federal bankruptcy laws since last November, reported a fourth quarter loss of $23.2 million on revenues of $93.4 million. This compared with a $2.3 million loss on $118 million in revenues for the same quarter of the prior year.

The 1981 loss included $9 million in tax credits and a fourth-quarter charge of $11.8 million in expenses related to restaurant closings. Sambo's closed 450 restaurants during fiscal 1981, 446 of which were shuttered over a two-week period in the fourth quarter.

Total 1981 revenues were $461.3 million, compared with revenues of $491.1 million for 1980.

Sambo's operated 668 family-style restaurants at year-end. The company filed for protection under Chapter XI in November and has since experienced a house-clearing in its executive suite.

Daniel R. Shaughnessy, who was brought in as Sambo's chief executive in late 1979, was ousted earlier this year. City Investing, which owns 34% of Sambo's and controls its board, brought in Robert Luckey as chairman and ceo to replace Shaughnessy. Luckey was formerly president and chief executive officer of Lafayette, La.-based Chart House Inc.

Also brought in from the outside were former Hardee's executives Roger Kisiel and Ralph Peterson, who were named Sambo's president/chief operating officer and vice president chief financial officer respectively.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Beefsteak Charlies	12 wks.	1/23			$ 21.216	51	$ 0.916	74
Domino's	1 yr.	12/31	$179.250	62			1.800	28
Int'l Dairy Queen	3 mos.	2/26			15.956	– 3	0.134	–38
JB's Restaurants	24 wks.	3/14			18.907	26	0.489	52
	12 wks.	3/14			9.429	25	0.162	49
Marcus Corp.	36 wks.	2/4			72.499	1	4.406	0
	12 wks.	2/4			20.322	– 5	0.384	–49
Morrison Inc.	9 mos.	2/27			264.600	12	10.800	15
	3 mos.	2/27			90.100	11	3.700	27
Pizza Inn	1 yr.	12/31			138.814	11	1.399	–18
	3 mos.	12/31			35.062	6	0.030	–92
Restaurant Associates	1 yr.	12/26	99.175	3			3.279	65
	3 mos.	12/26	24.464	2			0.398	–35
Sambo's	1 yr.	12/31	461.300	– 6			(53.000)	—
	3 mos.	12/31	93.400	–21			(23.200)	—
Taco Viva	9 mos.	2/28	9.245	28			0.400	75
	3 mos.	2/28	3.079	4			0.195	68

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
***loss in previous period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

RA earnings climb 65% in 1981

NEW YORK—Restaurant Associates Industries Inc., a New York-based operator of restaurants, lodging facilities and gift shops, said its 1981 net income rose 65%, to $4.3 million, over the prior year.

Sales increased 4%, to $99.2 million.

The net income in part reflected a gain on the purchase of debentures, disposal of facilities, and extraordinary tax credits. Excluding these, income from regular operations rose 29%, to $2.9 million, over 1980.

A publicly held company, Restaurant Associates operates more than 50 food-service outlets, including the 12-unit Charlie Brown's steakhouse chain in New Jersey, and several lodging facilities along the Eastern Seaboard from Maine to Florida. It also operates 115 newsstands and gift shops in seven cities across the country.

ARA closes merger deal with Means

PHILADELPHIA—ARA Services Inc. has closed a definitive merger agreement with Means Services Inc., a Chicago-based linen rental and uniform rental company.

ARA, which provides food, health, transportation and other services including uniform rentals, will pay $37 a share for Means' slightly more than 1.2 million common shares outstanding. The transaction reportedly is valued at $45.2 million.

Earlier last month, Means endorsed a $40.6 million merger bid from Sketchley Public Ltd., operator of a textile and linen service in Britain.

In February, Means rejected a cash and debenture offer worth $49.2 million from a group of businessmen. The Means board cited the "investment risk" of the debentures in their rejection of the bid.

***NRN* FOCUS**
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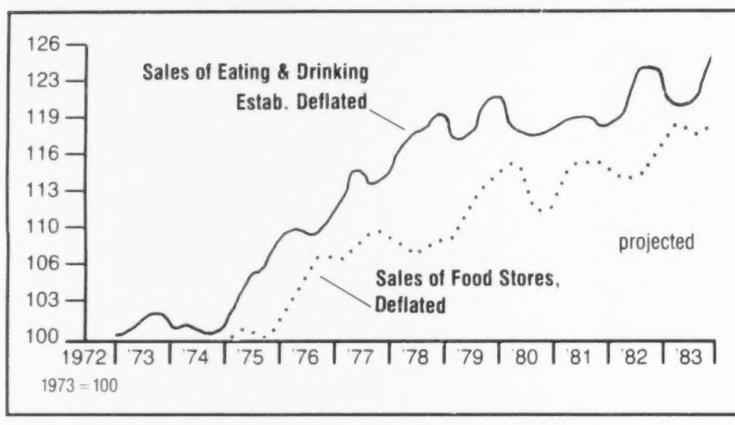
CHICAGO
Coming Soon

L/F ECONOCYCLE

'Marginal gains' ahead for 2nd qtr. sales



Eating & Drinking Estab.

Sales Change By Quarter	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	12-Month % Change '80 %	'81 %	'82* %
Sales include inflation	7.4	11.4	10.0	8.6	7.2	6.6	10.4	11.1	8.7	9.3	8.9
Real sales (Deflated)*	–2.1	2.1	1.1	0.5	0.9	0.1	3.4	3.7	–0.7	0.4	2.0

Base = Dec. 1981 Sales
*Projected

Even though general retailing is on a comeback trail and is projected to pick up momentum each month through the balance of the year, the L/F spending indicator (below) continues to project a lower and slower trendline for consumer purchasing through the balance of 1982.

Over the next three months, in fact, the spending indicator will continue to slip compared with retail sales trends.

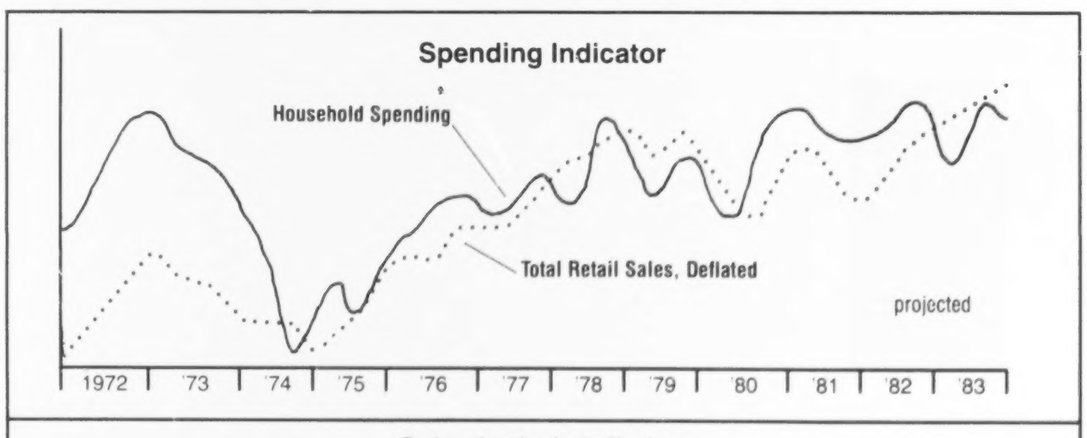
When first quarter sales are finally tallied, they should show a decline of 3% vs. the same period last year. This figure should be reduced by half in the second period, Econocycle projects, as key sectors of the retail economy begin to heat up and post regular increases again.

The recovery rate will hinge on how well the consumer reacts to the spring thaw around the country. Still an uncertain factor will be the size and length of the expected spending spree unleashed by tax rebates this month, most top retailers admit.

The L/F Econocycle projection for food service continues to show a steady pickup in sales—and marginal gains through the second quarter. By June, L/F's computer model forecasts sales increases in the 1%-2% range—and the start of a steady rise that will lead to solid gains in the third period.

Eating-out continues to outpace at-home food sales by at least four months and compares favorably with other key retail sectors.

- Drug stores, for example are moving at a strong recovery rate and matching the strides made by general retailing.
- Apparel specialty stores are set for a strong first half—but may be heading for a flat final six months.
- Discounters also mirror general retail trends and appear to be moving toward gains in the third quarter, although at a slower pace.



Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	9.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.4	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	5.5	8.4	8.6	– 4.2	7.0	1.6	4.9	6.3	5.0
1982	1Q*	2.3	7.6	7.2	–10.3	7.1	–0.2	1.2	3.6	2.3
	2Q*	2.5	7.2	6.6	– 0.8	6.7	5.2	3.0	3.3	3.6
	3Q*	4.1	7.7	10.4	8.5	7.4	7.1	3.5	7.5	6.6
	4Q*	6.4	8.4	11.1	10.9	6.4	6.9	4.9	9.9	8.2
% change 12 mos.	1980	7.7	10.8	8.7	– 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.4	9.7	9.3	6.5	9.0	5.9	7.9	9.0	8.1
	1982*	3.8	7.7	8.9	1.7	6.9	4.7	3.1	6.1	5.2

Real Sales (Deflated)*
% Change By Quarter

1981	1Q	0.4	– 1.4	– 2.1	– 1.2	0.2	2.2	– 5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	1.2	1.1	0.5	– 1.1	–0.6	3.9	3.2	2.5
	4Q	– 1.1	3.6	0.5	– 9.3	– 2.4	–3.8	1.7	0.9	0.1
1982	1Q*	– 3.1	2.5	0.9	–13.0	– 0.8	–5.6	– 1.9	– 1.2	– 2.3
	2Q*	– 1.7	– 0.4	0.1	– 4.0	0.7	– 1.2	– 0.0	– 1.2	– 1.0
	3Q*	1.3	– 0.2	3.4	2.2	2.8	– 0.3	0.6	2.8	1.7
	4Q*	4.6	– 0.2	3.7	2.1	2.4	– 0.8	1.4	3.9	2.4
% change 12 mos.	1980	– 2.6	3.0	– 0.7	–12.4	2.5	– 1.4	0.1	– 1.5	– 1.2
	1981	1.3	0.9	0.4	– 1.1	– 0.8	0.2	4.0	2.7	2.4
	1982*	0.2	0.4	2.0	– 3.5	1.3	– 2.0	0.0	1.1	0.2

Base = Dec. 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

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Luby's executives minimize threat of Furr's expansion

By Charles Forman

NEW YORK—Top Luby's Cafeterias executives scoffed at suggestions they might be hurt by expansion of K mart-backed Furr's in key Texas markets and firmly predicted 20% increases in net profit for Luby's for each of the next two fiscal years.

The executives of the San Antonio-based, 61-unit cafeteria chain, George H. Wenglein, board chairman and chief executive officer, and John B. Lahourcade, president and chief operating officer, made their comments at a meeting of the New York Society of Securities Analysts here last month and in private conversation afterward.

Lahourcade said Luby's would stick to its plan to add units at a 10% a year rate both this year and next. Lahourcade said Luby's would open five new cafeterias in fiscal 1982, all in Texas, and six new cafeterias in fiscal 1983, five in Texas and one in the Tulsa, Okla., area.

Luby's has just two cafeterias outside Texas now, one in Tulsa and one in Rosewell, N.M. Twelve are in San Antonio and 13 in Houston.

Furr's has said it will build 25 new cafeterias this year. The company had 83 units in operation at the end of 1981.

A Furr's spokesman recently said, "We could double in size in the next three or four years." New Furr's are going up in several areas of the country on the "pads"—parking lots—of existing K marts.

Dallas, where Luby's has four units, is apparently one of Furr's targets. But, Lahourcade said, even in Dallas locations where Furr's were built "down the street," Luby's was not negatively affected for long.

"At first sales would drop about 10%, but then they'd go back up."

Weinglein and Lahourcade said they based their confidence on past successes in building strong store management teams and rigid adherence to a conservative expansion plan.

Luby's unit managers and associate managers do not receive salaries but are compensated with a percentage of gross profits. Last year cafeteria managers made an average of $110,000 and associate managers $56,000.

Forty-four unit managers have been with the company more than 10 years.

Most Luby's have a five-person management team: one manager, one associate manager, three assistant managers.

Management personnel are recruited from other businesses and put into a three-month training school. Pay is at an annual rate of $18,000. At the end of three months they get a raise to $19,200 and spend several weeks working in different units. Then they join single units as assistant managers.

Government marketing specialists see cafeterias as the hottest growing food-service segment for the 80's. See story, page 54.

They are expected to spend five or six years as assistant and associate managers before they take over a cafeteria as managers.

The company conducts four training schools each year with 20 students in each class. About 25%-30% of management employees leave the company within their first year, and another 5% during the next two years of employment, Wenglein said.

Given Luby's own experiences, Wenglein indicated in strong terms that he felt Furr's expansion was overambitious.

"Maybe they know something about training managers that we don't," he said. "As highly labor-oriented as cafeterias are, I believe they're going to have trouble."

Lahourcade said that the 20% a year profit gain he was projecting would come from new units.

Wenglein said the company would continue to adhere rigidly to its policy of internally financing new cafeterias and only building on the fringes of current market areas.

He said that the company now had an inventory of $4.4 million worth of land already purchased and awaiting development. He said Luby's had decided on a policy of placing real estate in inventory "to ensure even development."

Wenglein said new freestanding units were costing the company $2 million-$2.4 million. Lahourcade broke this down to $300,000-$500,000 for land, $1-$1.2 million in building costs and $300,000-$450,000 for equipment and other improvements. He said the highest new unit costs were being incurred in Houston. He put average leasehold improvements for a mall location at $500,000-$700,000.

Luby's has 16 units in regional malls, 16 in strip centers and 29 are freestanding. Average cafeteria size is 10,000 sq. ft., with seating for 250 to 350 in carpeted dining rooms.

Wenglein and Lahourcade said they felt that their profit predictions were quite secure even in the face of cost pressures.

Wenglein said that in recent years the company had been very successful in passing along a series of small price increases.

He said the current per person tray average is $3.63, up 6% from a year ago. Menu prices are also up an average of 6%.

The last price increase was taken in December when coffee and tea went from 30¢ to 35¢. Service personnel circulate giving free refills of both beverages.

Current food costs are 30% of sales; labor, excluding manager and associate manager compensation, is 27%. The greatest cost pressures are coming from areas like energy and new equipment, the executives said.

The Texas economy is strong, Lahourcade indicated. Unemployment is less than 6% statewide and less than half that in major Luby's markets.

The Luby's officers noted that customer counts had been increasing for almost a year and were up 2.67% for the second quarter of fiscal 1982, ended Feb. 28, over the same period last year.

Reported net profit for the period was up 18% to $2.55 million. Revenues were up 20% to $30.7 million. For the first six months net profit increased 18% to $5.1 million and revenue 20% to $61 million.

Revenues include sales in Luby's company-owned units plus fees earned from managing seven cafeterias for others.

The company has an option to buy these cafeterias in 1984 when the current management contract expires. Lahourcade said that under its terms, if the option agreement were exercised today, the purchase price for the seven would be $1 million. He said that current profits from the seven were about $1 million a year. "A price/earnings ratio of one," he joked.

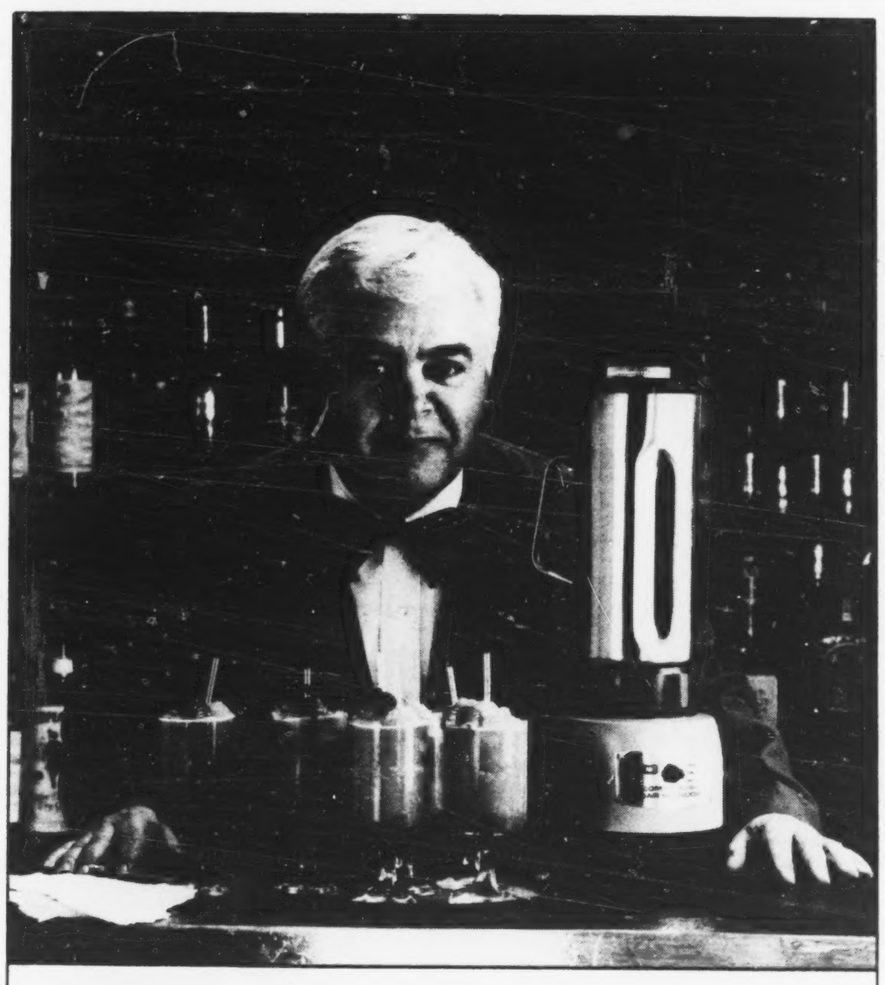
Luby's rate of business should increase toward the end of its fiscal year. August is traditionally one of the company's heaviest business periods.

MAJOR PUBLICLY OWNED CAFETERIA CHAINS

	Luby's Cafeterias Inc. Aug. 31, 1981*	Morrison's May 31, 1981	Piccadilly June 30, 1981
Number of Owned Cafeterias	59	141	79
Revenues (millions)	$110.2	$320.7	$127.2
Net Income (millions)	$9.8	$12.9	$7.8
Five-year Compound Growth Rate			
Revenues	18.9%	17.3%**	11.9%
Earnings (Net Income)	25.9%	7.7%**	12.9%
Return on Average Equity			
Latest Year	26.4%	15.3%	21.8%
Last Five Years	27.5%	19.3%	22.4%
Net Income Margin			
Latest Year	8.9%	4.0%	6.2%
Last Five Years	8.1%	5.1%	5.9%
Average Sales Per Unit			
Latest Year (millions)	$2.19	$1.49	$1.60

Source: *NRN Research*

**Fiscal year ended*
***Four year growth rate because restated data for 1976 not shown in 1981 report*



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Tell Them You Saw It In Nation's Restaurant News

New Treacher's owners prepared to reach franchisee settlement

(Continued from page 1)

Jr., have also served in that capacity.

The exact terms of the sale are not yet clear. They await an accounting of Treacher's assets at the time of the transaction. These, Cataland said, include 220 store locations, 73 of which are now sublet to other operators.

The new owners also inherit Mrs. Paul's troubled franchisee network. The number of units operated by Treacher's franchisees has dropped sharply from the 620 units in the system when Mrs. Paul's bought the company from Orange-co Inc. of Columbus, Ohio, in November 1979. Some have placed the number of franchisees still doing business under the Arthur Treacher's name as low as 150.

The status of the many lawsuits between Arthur Treacher's and former franchisees remains in doubt. As a new and unrelated owner of Mrs. Paul's, Lumara is granted by the courts a period in which it may try to resolve the cases out of court.

The new owners, according to Cataland, are preparing a "quite generous" offer to the franchisees now in litigation against Arthur Treacher's in Federal court in Philadelphia. He says the monetary settlement Lumara will offer is essentially the same as that offered by the franchisee association a few months ago and spurned by Mrs. Paul's. The franchisees reportedly offered at that time to pay half of the back royalties they owed the system and drop their suits against Treacher's if the company would drop its suits against them.

Royalties the franchisees have withheld from the home office since the outbreak of hostilities about 18 months ago now total, by some estimates, at least $14 million and possibly as much as $17 million.

A settlement with the franchisees in litigation, Cataland said, would also involve special consideration for those who have struck out on their own with new concepts. Management would, he said, offer them reimbursement for their new signage as well as other assistance in re-entering the Arthur Treacher's system. This applies to at least 64 former franchisees who have created new identities.

Some of them welcome the chance to rejoin Treacher's. But many of these franchisees, once among the most successful in the system, are so badly shaken by their experiences with the company that they may settle for a simple truce and continue to go it alone.

Lumara has not yet determined if it will keep the present Arthur Treacher's concept, revert to the pre-Mrs. Paul's identity, or create a new identity altogether. But the company's two owners avowed a commitment to a "cooperative development" of the concept involving physical renovation and the chain's expansion from coast to coast based on revitalized programs for cooperative advertising product development.

The company stores hold a central place in this scheme, Cataland said: "The company stores have to be showplaces both to show the franchisees that we're in this business too, and to make sure that we know about the problems they may face." Thirty of them recently closed.

In more specific terms, Cataland expects Lumara's ownership to benefit the system for two major reasons. The company has a background in franchising: Treacher's franchisees almost uniformly attribute the system's woes to Piszek's ignorance of franchising and his resulting insensitivity to matters affecting his company's licensees.

Another benefit of Lumara's ownership, Cataland said, is the company's expertise in construction and real estate development. "Today's high interest rates make it essential for any smaller chain to evade the necessity for outside financing and costly outside contractors. With our construction and development capabilities, we'll be able to do that."

Neither Piszek nor Richard Backer, executive vice president of Mrs. Paul's during his ownership, would return telephone calls asking them to comment on the reasons for the sale. A spokesman read a press release attributing the move to Piszek's current inability to finance the development and expansion of the Treacher's chain.

The company was deeply in debt and threatened to drag Mrs. Paul's down with it, according to admissions in court documents by a key financial officer for Mrs. Paul's. He swore in a signed statement that Arthur Treacher's was on the verge of bankruptcy.

The move deprives Piszek, once one of the most successful private entrepreneurs in the country, of the two large operations which had made him a powerful figure in the country's food business for three decades. His spokesman said he will now pursue "personal interests" such as his small film production company.

COMMODITIES

Pork prices climbing

(Continued from page 3)

Hog raisers have lost money for the past two years, both in lower prices for hogs than the cost of raising them, and because the cost of financing a herd has become prohibitive for many farmers. The lower costs of feed, combined with a drop in the interest rate, could bring hogs back into the market, since farmers can react far faster than cattle ranchers to a change in cost/profit ratios.

Look for higher red meat prices this year, although there will be yo-yo swings normal to the supply and demand law.

Vegetable Processor Acreage Estimates

The U.S.D.A. has provided acreage forecasts for major varieties of processing vegetables. In general, canning acreage is down on most crops, following a trend of the past several years. Again following past trends, freezer acreage is up, although it is still only a small percentage of most major vegetable crops.

The only vegetables for canning that are up in acreage are tomatoes and beets. For freezing, the only vegetable acreage that is up less than 10% is baby lima beans. Peas for canning, down 11%, for freezing, up 12%. Corn for canning, down 1%, for freezing, up 18%. Green beans for canning, down 14%, for freezing, up 10%. Cabbage for sauerkraut, down 9%. Lima beans for canning, down 18%, Fordhooks for freezing, up 36% and baby limas up 7%. Tomatoes for processing, up 32%.

Labor, transportation, energy and financing costs are all up, however, so most vegetables will not drop much, even though acreage has increased. For those which canners have continued to cut back, prices will continue to rise—even though much of the cutback is due to reduced demand for canned vegetables. Increased emphasis upon frozen and fresh vegetables have reduced consumer purchases of canned vegetables. Operators, too, have been using less canned in proportion to frozen.

Price and Supply Roundup

California is between or dropping out of the markets for several fresh vegetables and prices have risen as a result. Cauliflower, broccoli, lettuce and artichokes have been affected. California celery has dropped in price as new fields come on stream. West Mexican markets are taking up the slack that Florida close downs on some crops have caused on the East Coast and Midwest.

PRICE MOVEMENT AT A GLANCE

	March 26 1981	Feb. 26 1982	March 26 1982
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 0.94	$ 1.01	$ 1.06
Broilers, icepack, Grade A, NYC (lb.)	$ 0.4858	$ 0.4991	$ 0.4683
Lettuce, iceberg, California (ctn. 24s)	$ 5.50-6.00	$ 3.00	$ 8.00-10.00
Pork Loins, 14-down, Midwest (lb.)	$ 0.8675	$ 0.91	$ 0.95
Potatoes, frozen Idaho Ex Fancy Long (lb.)	$ 0.32	$ 0.31	$ 0.305
Corn, gluten feed, Chicago (ton)	$111.00	$113.67	$110.33
Cottonseed Meal, Memphis (ton)	$182.50	$137.50	$131.25
Hominy Feed, Illinois (ton)	$100.00	$ 64.00	$ 65.00
Sorghum, milo, #2, Gulf (ton)	$127.80	$102.80	$103.20
Soybean meal, Illinois (ton)	$208.50	$188.00	$183.50

Source: *NRN* Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

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PAC donations tracked

WASHINGTON—Over 50% of food-service companies' Political Action Committee campaign contributions have gone to Democratic senators and congressmen, an exclusive *Nation's Restaurant News* investigation of Federal Election Commission records has revealed.

At the same time, however, over 60% of 103 political contributions made by the 10 largest restaurant chain P.A.C.'s went to Republican candidates.

The disclosures were a surprise in view of the general pro-business, pro-Republican stance of most food-service companies. This raises questions about where the P.A.C. money is being funneled. *(Full details, page 25.)*

Senate Labor Committee chairman Orin Hatch (R-Utah) led all candidates in contributions received from food-service industry PAC's despite a surprising dollar edge for the Democratic party.

Chains clamp down on menu price hikes

By Charles Forman

Food-service operators have pushed the stop button on menu price hikes, holding recent increases to their lowest level in almost a decade.

Burger King, Church's, Hardee's, KFC, McDonald's, Ponderosa and Pizza Inn all have menu prices less than 5% ahead of year-ago levels, according to an industry study and other sources.

Chain executives attributed the fall-off to stable costs for food and energy and the absence of any increase in the minimum wage this year. Historically, pricing in the food-service industry has been cost driven.

The chain leaders said that by holding back prices they hope to maintain traffic, volume, market share and position themselves for the general economic recovery expected later this year.

Some said they had not taken increases in six, nine or even 12 months. Chart House president Bill Hyde was typical in noting, "We haven't taken a price increase since March '81. I don't see any of our food groups [Burger King, Luther's, Cisco] taking one right now. And if we do take one in the next three months, it'll be in the area of 1%-1.5%."

One interviewee indicated that, when food giveaway promotions are figured in, effective prices to customers are actually falling at many chains.

Documentation of the plunge in rate of price increases comes from Restaurant Industry Trends, a research firm in Colonia, N.J. In a report published shortly before presstime, the firm noted that the fall-off in pricing activity "is the sharpest decline we have seen in our eight years of conducting surveys."

In the months of January, February and March a group of selected fast-food and coffee shop chains followed by the research firm had prices 4.9%, 4.2%, and 4.6% over year-earlier figures for each of the months, respectively.

In the first quarter of 1981, *(Continued on page 151)*

Averts Chapter XI

Druther's restructures debt

By Rurick Telberg

LOUISVILLE—Druther's, the Kentucky-area fast-food chain formerly called Burger Queen, has stepped back from the brink of bankruptcy with a restructured debt plan.

About $4.7 million in unsecured, short-term loans from the First National Bank of Kentucky has been converted to long-term debt with the company's assets as collateral.

In addition, the bank has extended a credit line of $3 million to $4 million to Druther's, allowing the company to bail out of leases on 25 closed stores and pay off suppliers.

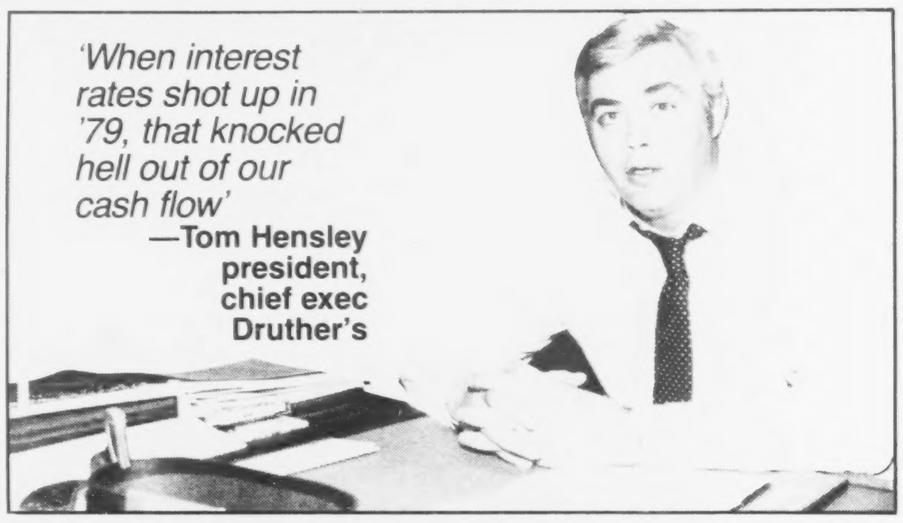
Druther's will probably write off $1.5 million to $2 million for closed stores when fiscal 1981 results are tallied, according to Tom Hensley, president and chief executive of the 162-unit chain, who said, "1981 will look like an absolute disaster." The company lost $1.1 million.

Hensley, 34, who has been president of the private company since 1980, pointed to three reasons for the company's difficulties. "When interest rates shot up in '79," he said, "that knocked the hell out of our cash flow."

"The markets we were heavy in, the coal fields, were going great until the first quarter of last year," he continued. "But then that coal strike lasted three months right where we do half our volume. That gave us a pretty swift kick."

Thirdly, he said, "The Reagan euphoria wore off when the recession started to hit the South."

(Continued on page 151)



Robert Neville

Neville named NRA staff chief

By Charles Bernstein

WASHINGTON—After 14 years as staff legal counsel and a guiding force of the National Restaurant Association, Robert Neville has been unanimously selected as the new NRA executive vice president and staff chief. He had been acting staff chief since Robert Bradford resigned in January after one year in the post.

The news of Neville's selection came suddenly here at presstime as the NRA 20-person executive committee emerged from two days of an emergency meeting which had been called to give guidance to a search committee preparing to consider outside candidates for the post.

A major breakthrough came when General Mills restaurant group president Joe Lee, who will serve as NRA one-year vice president starting May 24, moved that the executive committee name Neville staff chief effective immediately. The motion was unanimously seconded and then unanimously passed.

The executive committee's decision, subject to formal approval by the full NRA board of directors meeting in Chicago May 20-22, was hailed by numerous sources inside and outside the NRA as a major step forward for the organization. "This will give the NRA sta-

(Continued on page 151)

Robots fail to materialize

Franchisor suspected of duplicity

By Charles Bernstein

TORONTO—A company representing itself as the franchisor of 17 food-service chains with 338 units in Canada and 1,093 in the United States actually has few if any chains or units, a complete investigation of the company's purported operations has revealed.

Included in the list of 17 chains is the much-heralded Burger World, which for two years has been claiming it would open a revolutionary "robot" restaurant in Sarnia near Windsor, Ontario, and supposedly has sold some 40 franchise units at fees ranging from $50,000 to $200,000.

But as a scandal surrounding the company unfolded here, it was learned that there are no Burger Worlds (other than a half-completed building in Sarnia), there is no realistic prospect of any opening, and there are no known robots ready to go into action at any restaurant.

(In a March 15 editorial, this editor expressed skepticism about the ability of robots to perform in any reasonable fashion in a restaurant but reserved judgment on whether a robot restaurant ever would open. The editorial also warned about the gullibility of franchisees automatically assuming such a concept would open and would be a winner.)

According to official listings in Maclean-Hunter's Directory of Restaurant and Fast Food Chains in Canada, Global Franchise Marketing Ltd. is the franchisor of Burger World and has numerous other holdings making it the third-largest franchise operation in Canada,

(Continued on page 11)

LATE NEWSBREAKS

The Justice Department has filed an antitrust suit to block ARA Services from completing a pending acquisition of Means Services, Chicago. Means is ARA's largest Midwest competitor in the textile rental service business. Means indicated it would sell some of its textile plants, and ARA vowed to fight the Government's civil action in court.

A bidding war has broken out between Heublein and the General Cinema Corporation. Each has warned it might acquire up to 49% of the other's stock. General Cinema has just upped its stake in Heublein from 9.7% to 14.3%.

Fast-food chains will be serving wine along with burgers, fries and chicken by "the end of this decade" if beverage suppliers can solve legal and technical problems relating to new "bag and box" containers, NRA chairman Walter Conti told the new International Wine & Food Expo in Washington. (Full coverage, May 24 issue.)

Live via cable

NRA airs TV coverage of '82 show

CHICAGO—You won't have to leave your hotel room to attend the 1982 NRA Restaurant, Hotel-Motel Show, May 22-26 at McCormick Place here.

(Full preview of Show, May 24 Nation's Restaurant News.)

Live coverage of show exhibits, social events and interviews with industry leaders will be carried by cable from the show floor to more than 14,000 TV sets in 18 Chicago hotels.

The programming will be packaged in a TV news magazine format and called "NRA-TV TODAY." Personalities scheduled to conduct the 20 hours of show news that will be aired from Saturday afternoon until Tuesday morning include Floyd Kalber, formerly with NBC's "Today", and Joe Slattery and Nancy Sellers, both TV commentators. In addition show floor appearances by Heywood Hale Broun, CBS sports commentator, and Dr. Herb Ture, humorist, are scheduled.

The new exhibit area, the NRA Grand Concourse, will also be the scene of the "Almost Perfect Kitchen." This model of kitchen design has been put together, according to restaurant association officials, to show operators from every segment ways to cope with energy problems.

The kitchen equipment will actually be put to daily use during the show. The "Almost Perfect Kitchen" will be the scene of the United States' first American Culinary Federation-approved hot food competition.

The new exhibit area will also house the 12th annual NRA Culinary Arts Salon.

Much new is also planned to augment NRA's handling of international participation at the show. Visitors from more than 77 countries are expected to attend this year.

To facilitate their visits a complete postal and telex station will be installed at McCormick Place. A telex has also been added to the International Desk at NRA's Chicago office.

In addition, more interpreters will be available than during past shows and, for the first time, those wishing to reserve interpreters in advance will be able to do so.

Almost 200 more companies than last year, a total of 1,200, will exhibit at the 1982 show. Exhibitors will display over 6,100 distinct products and services. Over 80,000 came to last year's show. At least that many attendees are expected this time, according to show officials.

Theme of this year's 63rd annual NRA show is "We Want You." Ted Balestrari, convention committee chairman and part-owner of The Sardine Factory, Monterey, Calif., said the theme was chosen to impress on owners of independent restaurants that the NRA provides support for all its members, not just chains.

The 1982 show will be opened with a speech by Paul Harvey, the news commentator, Sunday, May 23, in the Arie Crown Theater. Political columnist George Will is scheduled to speak to the NRA Membership meeting, Monday, May 24, in the Lindheimer Room.

C. Northcote Parkinson, author of Parkinson's Laws, is also on the meeting program.

Numerous management clinics are scheduled for Monday, Tuesday and Wednesday. Subjects to be covered include managing labor costs, supervisory attitudes, wine merchandising, food purchasing, seafood consumption, hiring and firing, and changes in the coffee shop segment.

Executive seminars are also on the program for Saturday and Sunday, covering computer selection, budgeting, food cost control, operations analysis, site selection, restaurant design and planning, marketing, tax strategies, recruiting, menu development and catering.

Speakers at the NRA's "Theater Series for 1982" will be Kim Woods, a consultant, on the topic "What You Are Isn't Necessarily What You Will Be"; Herb Cohen, author of "You Can Negotiate Anything"; Art

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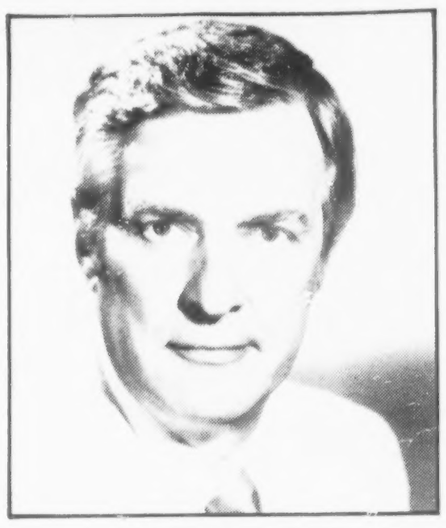

Floyd Kalber
NRA-TV Today host

Joe Slattery
NRA-TV Today host

Franchisees assuming new role as franchisors

By Roman Czajkowsky

Franchisee restaurant companies, which have traditionally labored in the shadow of their franchisors, are increasingly turning to restaurant concepts of their own.

The potential for more rapid growth, higher profit and a heightened public identity is proving enough of a lure to overcome any concerns company officials might have over venturing into new waters or diluting their efforts.

Franchisees that have recently turned franchisors in their own right include Chart House, primarily a Burger King operator now betting on the viability of Luther's, a barbecued ribs concept; Volunteer Capital Corp., a Wendy's franchisee whose principal growth vehicle has become Mrs. Winner's, a fried chicken fast-food chain, and Horn & Hardart, whose smattering of Burger Kings and Arby's has been overshadowed by the newly acquired, burgeoning Bojangles chicken restaurant chain.

They are heartened by the success of such veterans of the game as Shoney's, a company that began as a Big Boy franchisee but which for many years now has been franchising its own concept, Captain D's. Other companies might follow suit: Spartan Foods, a major Hardee's franchisee, has been rapidly expanding its Quincy's steakhouse chain. Though the Quincy's are not being franchised, the potential to do so in the future is there.

What's behind these moves?

By far the major motivating force is profit potential. Said Roger Lipton, a former Arthur Treacher's franchisee and now managing director of Lipton Research: "I know firsthand that anybody who's written checks monthly as a franchisee dreams of the day when they can get the checks coming the other way."

William Hyde, president and chief executive officer of Chart House, put it even more succinctly at a presentation last month before a group of analysts with E. F. Hutton. Referring to his company's newly acquired Luther's chain, Hyde said: "If each [Luther's] store does $1.25 million and pays 4% of sales as royalty, that's almost $50,000 of annual royalty income per store, about 80% of which would flow right down to pretax profits. Each store could provide about $40,000 of pretax profits to us. You can use a calculator to determine, assuming we have 25 stores or 50 or 100, how dramatically our earnings would be impacted."

That Hyde was making the point before a group of analysts is not without significance. Typically, franchisees-turned-franchisors are publicly held companies which like to hold court on Wall Street. Company management knows well that a favorable impression and subsequent "buy" recommendation can increase their company's book value almost overnight.

But for franchisees without proprietary concepts, such recognition does not always come easily. "Growth potential" are magic words on Wall Street, yet franchisees' growth is limited to the territories for which they have franchise rights.

"There almost needs to be a separate performance standard for publicly held [franchisee] companies," said M. V. (Buck) Hussung Jr., president of Volunteer Capital. "It's not really fair to compare those companies with their franchisors."

Indeed, geographical limitations play a key role in a franchisee's decision to turn franchisor.

Shoney's, for example, has territorial franchise rights for Big Boy coffee shops in only 11 states. A growth-oriented company, Shoney's already in 1969 developed Captain D's, a fast-seafood chain that has the po-

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Immigration bill places burdens on food-service operators

By Ken Rankin

WASHINGTON—The Reagan Administration endorsed pending Federal immigration legislation which would hold restaurant operators and other employers legally responsible for screening illegal aliens out of the work force.

But in endorsing the controversial immigration plan, Attorney General William French Smith urged Congress to peel back some of the stiff criminal penalties and other employer sanctions contained in the pending bill.

Lobbyists for the food-service industry have already voiced vigorous opposition to the Congressional proposal as well as to an earlier Reagan Administration illegal alien plan on grounds that Federal requirements for checking the immigration status of job applicants would impose severe burdens on restaurant operators.

Only last year National Restaurant Association acting president Robert Neville warned the Senate immigration subcommittee that many food-service operators would not be able to "absorb [the cost of] an additional investigative responsibility" required by such an illegal alien screening system.

Neville also maintained that immigration status verification requirements would force restaurants to practice employment discrimination since operators would be reluctant to hire anyone who looks or sounds foreign "in order to play it safe."

Although other industry groups have also raised concerns about the proposed new immigration rules, restaurant leaders are particularly irate over the plan because of the disproportionate number of aliens employed by food-service operators.

According to the latest Census Bureau estimates, there are between 3.5 million and 6 million undocumented aliens in the United States today, and that number is increasing at the rate of 500,000 annually. Many of these illegal aliens are ultimately hired as unskilled workers by food-service operators, an official at the Immigration and Naturalization Service told *Nation's Restaurant News.*

The pending Congressional legislation would require job applicants to provide employers with proof of immigration status and businesses would be required to keep records of each new employee's identification for at least five years.

The bill—which is being sponsored by Senate immigration committee Chairman Alan Simpson (R-Wyo.) and Rep. Romano Mazzoli (D-Ky.) who heads the House immigration

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Survey unveils salaries of food service execs

Study notes trend toward more benefits

WASHINGTON—The median base salary for chief executives of publicly held restaurant companies in 1981 was $95,000, according to a just-released study.

Besides salary, such executives were compensated for their services with median bonuses or incentive payments of $46,700; profit-sharing payments of $10,000, and various other benefits that cost their employers an additional $10,000.

The study from which these figures were taken is called "Executive Compensation and Benefits in the Foodservice Industry" and was conducted by the National Restaurant Association in cooperation with Laventhol & Horwath, the accounting firm.

The 80-page study is the NRA's second survey of executive compensation in the foodservice industry. The first, published two years ago, reported on pay and other benefits for calendar years 1978 and 1979.

A few highlights of the current study include the following:

- The median base salary of 6,726 unit managers surveyed was $17,844. Low was $12,536 at coffee shops; high $23,853 at full-menu table-service restaurants.
- Among vice presidential positions, median base salaries ranged from $35,000 for vice president/general counsel to $47,000 for vice presidents of finance and franchising.
- Nineteen per cent of responding companies said they added to their benefit program last year; nearly half of these said they improved health and life insurance benefits.
- One quarter said they planned significant increases in benefits this year and next. Almost 30% of these said they would be adding profit-sharing plans. The benefit that has been added most frequently since 1978 is a paid dental plan.
- Among nine unit-level positions, median base salaries ranged from $8,000 for headwaiter (tipped position) to $23,100 for executive chef.
- The median base for management trainees was $13,013.

The NRA said the current study was conducted in response to many requests from members for comparative data on executive compensation. The association mailed out 7,000 requests for data to members and got back 539 fully completed questionnaires.

Responses represented nearly 13,200 units, employing more than 247,000 workers and garnering sales in excess of $5 billion. The sample represents twice the number of units and sales volume of the NRA's first executive compensation study.

The typical respondent to the current study is an independent, privately held corporation, with a full-menu table-service operation. The restaurant operates on a local basis, has 285 seats, employs 68 and reports $1.3 million median annual sales.

More Benefits

The study notes that there is an especially visible trend away from cash payments to more benefits and perquisites for management personnel at most food-service companies.

The implied cause of this trend is inflation related bracket-creep. More liberal use of benefits as compensation seems to be the best way for employers to provide competitive remuneration at the lowest cost to themselves.

The study covered 29 different job titles at the central office, unit and regional levels. Types of restaurants covered included full-menu cafeterias, coffee shops, limited-menu restaurants (both with and without table service) and full-menu table-service operations.

The smallest restaurant reporting said it had 32 seats. The largest company reported a total of 139,000 seats.

"Executive Compensation and Benefits in the Foodservice Industry" is available from NRA's Educational Materials Center. Cost for members is $12.50; for nonmembers $25.

1981 FOOD-SERVICE INDUSTRY BASE SALARIES*

Position	Total Number of Positions	Lower Quartile	Median	Upper Quartile
CENTRAL OFFICE				
Chief Executive Officer	240	$34,000	$50,000	$75,000
Executive Vice President	106	27,264	40,000	63,500
Operations VP	134	26,700	39,000	50,000
Finance VP	50	30,000	47,500	56,050
Marketing VP	40	28,600	39,410	56,640
Personnel VP	43	26,106	38,100	50,000
Development VP	22	33,046	45,846	58,100
Franchise VP	11	42,525	47,500	52,825
Distribution/Purchasing VP	21	21,000	36,000	49,235
General Counsel VP	17	26,875	35,000	63,375
Real Estate VP	17	40,000	47,000	58,850
Treasurer	41	20,000	30,000	40,000
Controller	65	20,000	26,000	37,500
UNIT LEVEL				
Unit Manager	6,726	$15,819	$17,844	$20,840
Assistant Manager	6,035	11,635	12,608	15,490
Night Manager	576	13,000	13,520	14,300
Manager Trainee	1,213	12,500	13,013	16,500
Maitre d'/Hostess	528	8,320	8,320	10,000
Headwaiter	107	7,622	8,060	10,400
Executive Chef	218	16,160	23,100	27,800
Chef	572	11,700	16,900	19,431
Head Bartender	197	9,600	12,000	14,000
REGIONAL LEVEL				
Regional Manager—Operations	203	$23,183	$30,000	$42,061
Assistant Regional Manager—Operations	142	28,487	29,100	29,100
Regional Controller	7	27,400	27,400	30,550
Regional Marketing Director	21	35,200	36,600	36,600
Regional Manager—Distribution	10	35,500	35,500	35,500
Regional Personnel Director	34	27,400	32,100	32,100
Regional Manager—Franchise Operations	28	17,500	17,500	30,000

Source: *"Executive Compensation in the Foodservice Industry—1981," National Restaurant Association*

*Salary figures represent employees of proprietorships, partnerships, privately held corporations and publicly held corporations.

Two positions eliminated

Sheppard, Rose out in VS realignment

LARKSPUR, Calif.—Paul Sheppard, executive vice president and chief operating officer, and Jon Rose, marketing vice president, have left Victoria Station in a tightening-up process. Both positions were eliminated by the board of directors.

Terrance Collins, former Burger Chef president who became VS chief executive a year ago, continues as chairman, president and ceo and will also be chief operating officer.

Sources indicated he was anxious to resume more direct control in his greatest area of expertise, operations.

Neither Sheppard nor Rose is to be replaced. Victoria Victory will continue as marketing director.

Rose, who was with VS 1½ years after handling the account with Bozell Jacobs Advertising, has accepted a position as marketing vice president of General Mills' Good Earth restaurants.

Sheppard was evaluating a number of executive opportunities at presstime. He joined VS in February 1980 as senior vice president for marketing and is generally credited with spearheading a subsequent partial turnaround which the chain achieved.

Terrance Collins, Victoria Station chief executive, is expected to assume more direct control of company operations.

Restructuring

GF selling restaurants in Canada

WHITE PLAINS, N.Y.—General Foods said that as part of a general restructuring of certain foreign operations it will close or sell some of its Canadian food-service properties.

The disclosure comes just weeks after public confirmation that the company's United States dinnerhouses are for sale and finalization of the $44 million sale of 700-unit Burger Chef.

The company also said that for the latest fiscal year ended April 3 it will write off about $20 million for liabilities associated with the restaurants it sold and hopes to sell.

General Foods did not detail its plans for the Canadian restaurants.

General Foods' Canadian restaurant holdings include a 55-unit Kentucky Fried Chicken franchise, some 50 food-service management accounts, and some 35 dinnerhouses and coffee shops called 1867 Restaurants, Crock 'n Blocks and White Spot.

The company said the restructuring will give it an added cash flow of $100 million, $50 million of which stems from the Burger Chef sale.

Volunteer Capital has new name

NASHVILLE—Volunteer Capital Corp. is changing its name to Winners Corp.

The company operates 95 franchised Wendy's restaurants, and is the developer and franchisor of the 49-unit Mrs. Winner's Chicken & Biscuits chain.

The company started out as the Volunteer Fund which operated as an equipment leasing firm until the 1974 acquisition of Wendy's franchise rights. Mrs. Winner's was acquired in 1979.

PepsiCo in joint venture

Pizza Hut U.K. plans 60 units in Britain

LONDON—PepsiCo Inc. has sold half its interest in 13 Pizza Hut restaurants in England to Whitbread and Company, a British brewer, and the new partnership is planning to expand in Britain.

The new company formed in April by the sale, Pizza Hut U.K. (United Kingdom), will open at least 60 more Pizza Huts in Britain by 1985, according to PepsiCo, the parent company.

In addition, Whitbread is expected to open outlets called Pizza in a Pub in about 150 of its 7,000 pubs in Britain by 1985.

That concept has been tested successfully in one Whitbread pub in London since last October, according to Peter Bassi, area vice president for Pizza Hut in Europe, Africa and the Middle East.

"We think we will continue to test it out," he said. "We will be adding more pubs but it will be a few years before we really go aggressively."

Most pubs serve food, he said, but the concept of having a food franchise in a pub is unusual. Besides that, although many pubs offer pizza here, it is usually the kind that is premade, wrapped in cellophane and then heated in a microwave unit, Bassi said. The Whitbread pubs will provide freshly made pizza.

No financial details of the sale were disclosed.

At the end of last year there were 3,988 Pizza Huts in the United States and in 18 other countries—2,039 were franchised and 1,949 were company-owned. Bassi said other European Pizza Huts are in the Netherlands and Spain.

FINANCIAL NEWS

Cost stability helps ignite Denny's 3rd-quarter surge

LA MIRADA, Calif.—Denny's Inc., which operates or licenses a total of 1,888 Denny's coffee shops and Winchell's Donut Houses, reported an increase in net income of 41%, to $7.2 million, for the third quarter ended March 26, compared to the same period a year ago.

Revenues for the quarter rose 9.7%, to $231.4 million.

For the nine months ended March 26, net income rose 42.5%, to $26.4 million, on revenues that increased 12.6%, to $703 million.

Average unit sales at the 816 company-operated Denny's restaurants were $218,000 for the third quarter, an increase of 7.2% over the same period a year ago. About 4% of the increase was due to menu price hikes.

Year-to-date average Denny's sales were $674,000, up 10.2% over last year's comparable period. Menu price increases accounted for 4.5% of the higher sales, while 5.7% represented real growth.

The average Winchell's unit generated $45,600 in sales in the third quarter, an increase of 4.5% over last year's third quarter. Nine-month sales were $136,300, up 8.6% over last year's comparable period.

Vern O. Curtis, president and chief executive officer, was quoted as saying that profits advanced by a greater percentage than sales because cost pressures at Denny's have stabilized. Curtis cited stable food costs and the minimum wage, which did not increase over last year's rate. The Winchell's division's profit has improved as a result of the closing of some 120 poorly performing units 18 months ago, he said.

Winchell's sales were apparently also spurred by the introduction of a new line of brownies, cheesecake and coffee cake.

Curtis said the company started the third quarter strong, but in mid-January and throughout February, about 250 restaurants had to be closed for periods ranging from a few hours to several days due to severe winter weather.

For the future, the company reportedly intends to continue acquiring additional restaurants of other chains for conversion to Denny's.

Denny's recently acquired 12 restaurants from bankrupt Sambo's, and reportedly is close to purchasing an additional 10 units. In February, Denny's also agreed in principle to purchase 35 VIP's family restaurants in the Northwest, also for conversion to Denny's.

Skipper's net profit plummets 93% for 1st quarter

BELLEVUE, Wash.—Skipper's Inc., the operator and franchisor of 116 Skipper's Seafood 'n Chowder House restaurants, reported a 93% decline in net profit to $10,000 for the first quarter ended March 21.

Sales declined slightly to $7.5 million.

The president of the company, M. Eugene Stone, attributed the sharp drop in profits to "a brutal winter and high unemployment levels in the Western States." He also suggested that the quarter suffered from comparison with the record sales and profits of the first quarter of the previous year.

He pointed out that the costs of an everything-you-can-eat promotion and the upgrading of some menu items cut into the quarter's profits.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended April 24							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs. Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt	Pct			Latest P/E Ratio	Amt	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
		$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5 13	4 50	4 75	.38	8.57	10.63	3.50	-.18	.00	1.94	-24.40	.47	-.21 Q	-50.0	6.0	4.3	22.6	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	AMN	18 75	17 13	17 13	-.50	-2.84	21.88	10.00	.34	-1.66	-5.30	5.77	1.66	.36 S	24.8	34.0	6.3	9.5	.22	1.3	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	25 88	24 75	25 63	.00	.00	37.25	23.50	-.11	-.32	3.26	35.35	4.00	-1.35 Q	-26.2	-1.0	1.5	6.8	2.00	7.8	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	6 50	6 25	6 50	.13	1.96	8.63	4.88	.27	.27	.58	4.46	.66	.11 Q	17.1	-8.0	2.6	8.7	.12	1.8	03-02-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5 75	5 13	5 50	.00	.00	5.75	2.88	1.44	-.06	4.01	-.23	.62	.16 Q	32.6	32.0	2.4	8.5	.00	.0	00-00-00	86.2	2.1	1.2	1.2	3	1081
Bob Evans Farms	BOBE	27 00	25 75	27 00	1.25	4.85	27.00	17.75	.28	-.49	.53	-29.24	1.40	.19 N	13.5	26.0	8.0	17.0	.40	1.5	02-05-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1 63	1 50	1 56	-.06	-3.85	6.88	1.06	.61	-1.10	1.33	-19.65	-3.33	-3.57 F	-487.5	-54.0	-61.8	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	15 50	14 63	14 88	-.38	-2.46	16.88	9.88	.51	-.32	-.18	40.99	.59	.15 F	34.0	30.0	4.3	25.2	.10	.7	03-08-82	165.1	7.1	1.2	11.0	4	1281
Cainy Food	CLNY	8 25	8 00	8 25	.25	3.13	10.34	7.16	.09	.50	-.26	-53.51	.90	-.19 N	-16.6	7.0	2.2	8.7	.12	1.5	03-02-82	41.7	.9	4	9.6	4	0281
Carrols Develop	CRL	5 63	5 00	5 63	.25	4.65	7.63	3.97	.11	2.47	1.17	66.95	.86	.72 N	163.6	35.0	2.4	4.8	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	22 13	20 75	22 13	.50	2.31	22.88	15.25	.47	.69	1.03	-20.66	2.03	.27 Q	15.2	14.0	5.0	10.8	.60	2.7	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	23 63	22 38	23 38	.00	.00	27.25	15 13	.56	-1.13	-.74	24.71	.46	.33 N	94.2	35.0	14.1	34.4	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	14 13	11 38	13 75	1.75	14.58	14.13	8.38	1.07	.32	7.41	-31.78	.66	-.36 S	-42.8	24.0	2.7	28.6	.40	2.9	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	33 25	30 38	33 25	2.25	7.26	37.38	25.00	.50	.28	3.57	12.15	3.52	.34 Q	10.8	18.0	10.8	9.6	1.00	3.0	04-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3 13	2 88	3 13	.13	4.17	3.63	2.50	-.59	-.32	-.11	-9.77	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	15 50	13 75	15 00	1.13	8.11	15.50	10.31	.61	-.76	6.78	-48.10	1.56	.63 N	41.4	13.0	2.8	7.0	.24	1.6	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7 25	7 00	7 13	-.13	-1.72	10.13	5.25	1.09	-.94	1.82	-11.76	-.08	.12 S	NC	NE	-1.5	59.4	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	9 25	8 75	9 00	.25	2.86	10.00	7.25	.02	-1.28	5.09	-8.80	1.00	1.01 S	NC	21.0	3.2	8.9	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	25 25	22 75	24 50	1.00	4.26	25.25	14 75	.36	.62	1.74	8.58	1.97	.77 N	49.6	6.0	3.2	10.6	.64	2.6	04-02-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	16 25	15 75	16 25	.00	.00	18.25	11.13	.78	.34	.30	18.56	1.82	.28 Q	17.3	19.0	8.3	8.6	.30	1.8	02-05-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	10 38	8 50	10 13	1.13	12.50	10.38	5.78	.54	.60	4.49	35.11	1.39	.76 S	63.0	14.0	3.0	5.6	.30	3.0	03-30-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	5 00	5 00	5 00	-.50	-9.09	8.75	5.00	-.88	-.54	2.34	.00	.27	-.15 S	-19.7	-24.0	.7	8.2	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	2 88	2 88	2 88	-.13	-4.17	7.25	2.25	.06	-.59	-1.85	.00	-2.22	-2.66 F	-604.5	-38.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	39 38	35 50	37 63	-1.63	-4.14	52 25	32 00	.16	-.03	.02	11.26	4.22	-.04 Q	-.9	25.0	18.4	9.5	1.80	4.8	03-01-82	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	28 25	25 63	26 25	-1.88	-6.67	33 25	21 88	.00	-.99	-3.01	34.30	3.66	.74 F	25.3	27.0	7.8	7.2	.80	3.0	03-15-82	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	42 50	39 25	39 25	.25	.64	48.75	33.00	-.33	-2.11	-6.82	-50.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17 38	15 63	17 25	1.75	11.29	17 38	7.28	1.61	.46	2.79	3.67	.87	.09 N	10.0	42.0	3.1	17.4	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Hungry Tiger	HTIG	7 25	7 25	7 25	.00	.00	9 38	6 00	.56	-.51	2.56	2.11	.92	.14 S	16.6	42.0	3.2	7.4	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1 75	1 56	1 63	-.13	-7.14	1.75	1.06	-.19	-.61	-6.41	22.37	.62	-.15 S	-21.1	28.0	2.1	2.9	.14	8.6	02-24-82	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11 50	11 00	11 50	.50	4.55	13 25	9 25	.04	.21	2.23	-.42	1.72	.23 Q	15.7	38.0	6.1	6.8	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3 00	2 38	3 00	.63	26.32	3 38	1.75	1.17	3.60	8.11	-9.01	-.65	.19 S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	6 50	6 00	6 25	.38	6.38	6.50	2.88	1.50	-1.33	6.31	-44.74	.63	.31 S	75.6	-1.0	3.0	8.7	.16	2.6	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	21 00	20 38	21 00	.00	.00	27 63	15 63	.29	-.48	.61	-50.32	1.70	.39 S	26.5	23.0	5.6	11.3	.12	.6	02-01-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3 75	3 63	3 63	.00	.00	4 38	3 38	-.36	-1.65	-4.27	41.67	-.24	-.45 Q	-321.4	-32.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	17 50	16 00	17 50	.75	4.48	17 50	10 75	.39	-.50	.11	-17.40	.58	.77 N	NC	132.0	5.9	22.7	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafe	LUB	28 88	26 63	28 88	2.00	7.44	28 88	23 19	.02	-.27	4.81	-9.35	1.45	.25 S	18.9	23.0	9.1	18.4	.48	1.7	03-09-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	5 50	5 38	5 38	-.13	-2.27	7.28	5.00	-.48	-.56	5.55	40.00	1.15	.04 N	3.5	7.0	5.8	4.6	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	39 88	37 75	38 13	-.88	-2.24	47.00	31 63	.25	-1.42	3.25	-44.57	3.20	.55 Q	20.0	31.0	4.3	11.6	.30	.8	03-22-82	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	70 00	67 63	68 13	-1.75	-2.50	72 88	56 75	.13	-.49	-2.82	-4.93	6.54	1.05 F	19.1	19.0	10.5	10.4	1.00	1.5	02-05-82	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	11 75	10 13	11 75	1.50	14.63	12 88	8 13	.76	1.15	3.53	-12.18	.95	.15 N	16.6	7.0	3.9	11.2	.36	3.1	04-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2 75	2 38	2 75	.25	10.00	4 13	2 13	-.30	1.89	4.84	-29.30	.22	.10 Q	76.9	-26.0	.5	12.0	.02	.7	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1 00	1 00	1 00	.00	.00	1 88	.63	-.28	-.67	-.86	11.54	-.87	-.42 N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9 00	9 00	9 00	.00	.00	12 25	9 00	-.38	-.45	4.92	41.18	1.74	.04 Q	2.5	13.0	1.3	5.6	.32	3.6	12-10-81	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	9 00	8 13	9 00	.38	4.35	11 38	6 88	-.25	1.26	-2.49	57.56	1.01	.12 S	13.4	25.0	5.4	8.9	.20	2.2	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	17 75	16 75	17 75	.88	5.19	19 00	13 50	.66	-.08	6.16	21.48	1.30	.14 N	10.7	15.0	6.1	12.3	.48	2.7	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	6 38	5 25	6 00	.63	11.63	11 50	4 75	.20	2.87	.38	26.70	.50	-.08 F	-13.7	-5.0	1.0	12.0	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	27 50	26 00	27 50	1.50	5.77	28 25	18 00	.46	.72	1.35	13.92	.58	.54 F	350.0	81.0	7.2	47.4	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	16 00	14 13	15 00	-1.00	-6.25	19 75	11 75	.53	-.02	1.38	-26.75	2.01	1.42 F	240.6	.8.0	2.4	7.5	.40	2.7	03-08-82	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	5 75	5 38	5 50	-.25	-4.35	12 50	5 00	-.30	-.97	-1.73	-62.42	-.84	-1.43 F	-242.3	-25.0	-5.5	NE	.12	2.2	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5 13	4 50	5 13	.63	13.89	8 25	4 00	.12	2.32	-.24	53.28	.97	.33 F	51.5	29.0	2.4	5.3	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	26 75	25 00	26 50	.38	1.44	26 75	16 00	.71	.73	.92	-9.30	2.36	1.07 N	49.7	18.0	1.4	8.2	.56	2.1	02-11-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	9 63	9 25	9 50	-.13	-1.30	17 88	6 88	.31	-.21	.61	-4.60	.68	.08 Q	13.5	55.0	4.5	14.2	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	10 00	9 25	9 50	.25	2.70	13 00	7 00	.24	-.50	-.86	-37.50	1.69	.59 F	53.6	21.0	3.5	5.6	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	16 63	15 75	16 63	.75	4.72	16 63	11 91	.25	.50	1.70	13.04	1.03	.24 Q	27.2	21.0	5.5	14.8	.16	1.0	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	10 50	10 50	10 50	.00	.00	15 00	9 25	.01	-.48	-2.82	.00	.94	-1.30 F	-58.0	64.0	1.4	11.2	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2 75	2 75	2 75	.00	.00	3 13	2 31	-.26	-.37	-4.80	22.58	.06	-.11 Q	-73.3	-36.0	.5	68.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	5 25	5 00	5 13	-.25	-4.65	7 13	4 25	.14	-.52	.08	12.50	-.22	.18 S	NE	-23.0	-.9	128.1	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	10 50	10 00	10 00	-.88	-8.05	11 25	6 25	-.23	-.87	-2.73	-13.34	-1.85	2.11 N	NE	-32.0	-4.3	83.3	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	9 75	8 75	9 75	.63	6.85	9 75	6 38	.54	2.49	.80	27.91	.67	.72 Q	200.0	4.0	2.1	12.5	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281
Wendys Intl	WEN	18 75	15 38	17 88	2.00	12.60	19 25	12 25	.41	2.96	4.39	8.93	1.52	.18 F	13.4	29.0	7.5	11.8	.28	1.6	02-22-82	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	8 13	7 00	7 75	-.38	-4.62	13 00	4 88	.70	-.22	-3.30	-12.33	.56	.14 F	33.3	-13.0	1.1	13.8	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Saga earnings climb 22% for third fiscal quarter

MENLO PARK, Calif.—Saga Corp., the restaurant and food-service company, reported that profits increased 22% during the third fiscal quarter that ended March 29, to $3.9 million from $3.2 million during the same quarter in fiscal 1981.

Revenues for the third quarter were up 8%, to $229.5 million from $212.3 million a year ago.

For nine months profits increased 48% to $13.9 million and revenues increased 10% to $673.9 million. For the comparable period of fiscal 1981 profits were $9.4 million and revenues were $611.2 million.

Reasons given by the company for the increase in net income were: moderate food-cost increases, closer management controls and tight asset management.

Beefsteak Charlie's net up 68%

NEW YORK—Beefsteak Charlie's Inc., operator of 65 steakhouses along the Eastern Seaboard, said its net income, excluding an extraordinary item, rose 68%, to $521,000 for the 12 weeks ended Jan. 23 over last year's comparable period.

Including the $395,000 extraordinary item—a tax benefit of operating loss carryforward—net income was $916,000.

Total revenues for the period increased 51%, to $21.2 million.

The company's restaurants include 63 Beefsteak Charlie's, of which three are franchises, and two other concepts.

Marriott profits up 17.4% for 1st qtr.

WASHINGTON—Marriott Corp., the hotel and restaurant company based here, said net income rose 17.4% to $16.9 million for the first quarter ended March 31, over the prior year's comparable period.

Revenues increased 25%, to $516.2 million.

Taco Viva sales, profits increase

POMPANO BEACH, Fla.—Taco Viva, a privately owned 34-unit chain of restaurants, reported sales of $3.1 million, a rise of 4%, and profits of $195,000, a 68% increase, for the third quarter ended Feb. 28 compared to the year-ago period.

Nine Months Period

For the three-quarter, nine-month period, the firm reported sales of $9.3 million, an increase of 28%, and profits of $400,000, an increase of 75%, compared to the year-ago period.

Sandwich Chef: 18% profit hike

BIRMINGHAM, Ala.—Sandwich Chef reported profits of $181,000 for the third quarter ended March 27, an 18% increase over the previous year. Sales were $4.3 million, a 24% increase over the previous year's period.

For the first nine months, profits were $530,000, up 17% over the previous year, and revenues were $12.2 million, up 23% over the year-ago period.

The company had 164 sandwich shops in six Sunbelt cities, compared to 139 a year before. A planned entry into Chicago has been postponed to August due to softness in the Chicago market, a spokesman said.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Bonanza Int'l	1 yr.	12/27			$ 24.082	– 7	$(14.857)	—
Chart House	3 mos.	3/31			84.835	6	2.399	6
Church's Fried Chicken	3 mos.	3/21			87.311	– 2	7.857	– 6
Denny's	9 mos. 3 mos.	3/26 3/26	$700.000 230.000	12 9			26.200 7.000	41 37
Frisch's Restaurants	40 wks. 12 wks.	3/7 3/7			81.100 22.700	4 2	2.800 0.568	55 40
Hilton Hotels Corp.	3 mos.	3/31			155.341	6	21.991	– 19
Marriott Corp.	3 mos.	3/26	516.209	25			16.942	18
People's Restaurants	9 mos. 3 mos.	3/28 3/28	11.500 5.100	448 325			0.587 0.222	8,286 909
Piccadilly Cafeterias	9 mos. 3 mos.	3/31 3/31	105.600 33.800	12 13			6.952 1.900	13 12
Ponderosa	1 yr. 3 mos.	2/25 2/25	360.500 101.700	8 0			8.500 1.300	240 **
Saga Corp.	9 mos. 3 mos.	3/27 3/27			673.878 229.530	10 8	13.868 3.873	48 22
Sandwich Chef	9 mos. 3 mos.	3/28 3/28	12.191 4.288	23 24			0.530 0.181	17 17
Sea Galley Stores Inc.	3 mos.	3/31	16.021	106			0.555	20
Skipper's	12 wks.	3/21			7.547	– 1	0.010	– 1
Volunteer Capital	3 mos.	3/31	18.779	17			0.250	826

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Hilton profits decline; recession blamed

LOS ANGELES—The Hilton Hotels Corp. said its first quarter net income declined 18.5%, to $21.9 million, from last year's first quarter.

Revenues for the quarter, ended March 21, increased 6%, to $155.3 million.

Recession

The Los Angeles-based company cited severe winter weather and the recession for the dip in first quarter profits.

States leaning toward strict equal employment

NRN Special Report

Although controversial Federal employment discrimination guidelines dealing with workplace sexual harassment and national origin bias are under reconsideration by the Reagan Administration, the trend is toward even stricter equal employment rules for restaurant operators on the state level.

In fact a recent *Nation's Restaurant News* analysis of state legislative activity affecting the food-service industry uncovered scores of new proposals aimed at increasing the power of local officials to regulate employment practices.

Legislation dealing with sexual equality in the workplace continues to be one of the most hotly debated equal employment areas on the state level. Minnesota's Governor, for example, recently signed a series of new bills aimed at protecting women from workplace discrimination, including one declaring "sexual harassment" to be an unfair employment practice. A separate, and potentially more far-reaching measure passed by the Legislature this session establishes a "comparable worth" principle requiring Minnesota employers to provide equitable pay for workers in occupations traditionally dominated by women.

In Wisconsin, meanwhile, the Governor has signed legislation attacking sexual discrimination from a different angle. Under this new "gay rights" law, restaurateurs and other employers in the state will be prohibited from discriminating on the basis of an individual's "sexual orientation."

A number of other states from New Jersey to California are considering new proposals to stiffen the penalties for violations of local equal employment rules, while others, including Maryland, debated new measures to protect workers from discrimination on the basis of age.

Significantly, much of the state equal employment legislation surfacing this session deals with employee fringe benefits.

Connecticut's Senate, for example, is considering a bill to prohibit businesses from cutting back on health insurance coverage for older workers who become eligible for Medicare benefits.

Maryland's Senate, meanwhile, passed legislation requiring employers to offer pregnancy benefits as part of any company sick leave plan, and Kentucky's House approved a measure under which employers who offer maternity leave must extend similar benefits to workers who temporarily leave their jobs to accept adopted children.

At the same time, Rhode Island lawmakers considered proposals prohibiting employers from asking job applicants if they had ever been arrested or charged with a crime, while legislation under review by Georgia's Senate would require all employer accident and sickness insurance plans to cover treatment for mental disorders.

Here's a recap of other state legislative activity affecting the restaurant industry:

- ARIZONA—Legislation that would allow cities to establish enterprise zones is pending in the House.
- COLORADO—The Governor has signed a bill prohibiting the sale of metal beverage containers with detachable openings.

Phosphate use to increase

WASHINGTON—A new Department of Agriculture meat and poultry regulation would allow food processors to use a wider variety of phosphates in their products—a change designed to improve the palatability of meats sold to restaurants.

The expanded use of phosphates by meat and poultry processors would "help prevent flavor loss and keep juices in during cooking," according to U.S.D.A. officials.

In addition, the new regulation would attempt to cut down on sodium levels in certain meats by allowing processors to add phosphates directly to cooked sausages. The Food and Drug Administration already recognizes the safety of these additives which include certain sodium and potassium phosphates, U.S.D.A.'s Food Safety and Inspection Service Administrator Donald L. Houston maintained.

- CONNECTICUT—Pending legislation would put a 7.5% sales tax on the gross receipts from coin operated video games and pinball machines.
- FLORIDA—The House has passed two measures to raise the state's sales tax, including one which would boost the rate to 5%, and another offering local governments the option of imposing their own ½% tax. The House also passed a separate bill that would include meals and lodging in the definition of "wages."
- GEORGIA—Legislation offering restaurants and other employers special state tax credits for remodeling their establishments to accommodate handicapped workers has cleared the Senate. A different House proposal would repeal the prohibition against smoking in public places.
- IDAHO—New Senate-passed legislation would allow for the creation of a state industrial revenue bond program.
- INDIANA—The Governor has signed a bill that requires sales tax collection to be paid 20 days after the end of the month.
- IOWA—Food-service establishments would be required to identify the type of imported meat they serve under a House proposal.
- KANSAS—Both Houses of the Legislature are considering plans to offer special state tax credits and other incentives for businesses opening locations in designated "enterprise zones."
- KENTUCKY—Legislation requiring restaurants to display posters which explain how to save the lives of choking patrons has passed the House. A bill that would increase the minimum hourly wage to $2.60 has also cleared the House.
- MARYLAND—The Senate has approved a bill prohibiting forced retirement of workers aged 40 to 70.
- MASSACHUSETTS—Pending legislation in the House would repeal the state's beverage container deposit law.
- MICHIGAN—The Governor has signed a bill prohibiting employers from requiring employees and job applicants to take polygraph tests. A separate piece of legislation that would not allow employers to require that their employees work overtime has passed the House.
- NEW YORK—All cash registers in Empire State retail stores would be required to visually display the amount of the transaction to consumers under a pending Senate bill. A separate bill now before the Senate would set stiff new requirements for sales promotions, games and contests offering prizes to consumers.
- OHIO—A proposal to create a state commission and office especially designed to assist small business enterprises is being considered in the House.
- VIRGINIA—Legislation that would have required beer and soft drink containers to be refundable failed in the Senate.
- WASHINGTON—The Senate is studying a proposal that would reimpose a 2.75% state sales tax on food.

Higher prices expected due to West Coast rain

SALINAS, Calif.—Operators can expect higher prices on several central California fruits and vegetables as a result of heavy rains which hit this produce area hard in early April. Over 2,500 acres of strawberries were damaged, and both artichoke and asparagus crops were affected by the unseasonable storms.

Almost twice the normal amount of rain fell since the beginning of the year, holding back both planting and harvesting. By this time, nearly 50% of California's processing tomato crop is usually planted. That crop is only 20% planted this year because of the rain.

Asparagus harvesting slowed by 85% for over a week, and unusually low temperatures slowed growth, but long-range concern centers on root damage as rushing rains washed dirt away from the plants in many fields. Artichokes were affected by the same type of erosion.

Strawberries were the hardest hit, a combination of blossoms knocked from vines, which will reduce late spring and summer harvests, the possibility of misshapen fruit and root rot from the continuous moisture in the soil.

Pears and grapes in several areas were damaged by hail. Canners are revising estimates of quality yields for pears which will be processed. Many early table grapes may be diverted to wineries because of appearance. Grapes for raisins are not expected to be affected greatly.

Lettuce, broccoli and cauliflower harvests were not affected other than a slowdown in production caused by muddy fields. Carrots and celery sustained minor damage, but planting for summer crops was delayed.

Food and beverage sales per occupied U.S. room climb 9.1% in 1981

PHILADELPHIA—Food and beverage sales per occupied room in domestic lodging properties increased 9.1% during 1981 as total food sales rose 6.3%, according to *National Trends of Business—Lodging Industry*, a publication of Laventhol & Horwath, public accountants.

As of December, year-to-date food and beverage sales per occupied room in all hotels and motels tracked by the accounting firm were $26.93, compared to $24.69 the previous year. Average receipt per cover for 1981 was $7.72, compared to $7.02 in 1980. Food costs per dollar of sales dropped 1¢ to 34¢ and beverage costs per dollar were the same as in 1980—22¢.

Hotels and motels with chain affiliation reported food and beverage sales per occupied room at $24.68, compared to $22.87 the previous year. Average receipt per cover was $7.60, compared to $6.92 in 1980. Food costs per dollar of sales were 34¢ and beverage costs per dollar of sales were 21¢.

At independent hotels and motels, food and beverage sales per occupied room were $37.90 in 1981, up from $33.60 the previous year. Average receipt per cover was $8.03, compared with $7.30 in 1980. Food cost per dollar of sales in independent properties was 35¢, down a penny from 1980, and beverage cost per dollar of sales remained the same, 23¢.

Food and beverage sales per occupied room in all hotels averaged $31.47 in 1981, compared to $20.90 in all motor hotels. Average receipts per cover were $8.63 in hotels and $5.90 in motor hotels. Food costs per dollar of sales were 33¢ in hotels and 37¢ in motor hotels, and beverage costs per dollar of sales were 21¢ in hotels and 23¢ in motor hotels.

Lodging properties in the Northeast had the highest average receipt per cover in 1981—$9.16 compared to $8.08 the previous year, and the Southeast the lowest average receipt per cover—$6.75 compared to $6.24 in 1980.

Hotels with more than 600 rooms reported the highest average receipt per cover—$9.81, up from $8.75 in 1980. These large luxury properties also had the highest food and beverage sales per occupied room—$33.64—and the lowest food cost per dollar of sales—30¢.

Food and beverage prices have already started to moderate and will probably increase less in 1982 than they have in several years, according to the Laventhol and Horwath report.

FOOD AND BEVERAGE SALES PER OCCUPIED ROOM IN DOMESTIC LODGING PROPERTIES

Source: Laventhol & Horwath

Church's sues over franchise sale to KFC

HOUSTON—The sale of about 75 Church's Fried Chicken stores by a franchisee to Kentucky Fried Chicken has sparked a legal tug-of-war over the Houston-Galveston territory.

Church's, the San Antonio-based franchisor, contends the sale nixed the franchise agreement and that the franchisee is no longer a franchisee.

The franchisee, Church's Chicken of Houston, maintains it still has exclusive rights to the territory.

Church's Chicken of Houston is a subsidiary of Jim Dandy Fast Foods of Santa Monica, Calif. Jim Dandy was purchased by Ross Peterson, Jim Dandy chairman, from Host International as Host was being acquired by Marriott.

Supply show set in Los Angeles

LOS ANGELES—The Interstate Restaurant Supply Company will hold its 4th Trade Show on May 1-3 at the Los Angeles Convention Center.

The theme for the show is "Interstate '82 Highway to Profit."

For additional information, contact Reinhard Schnepp, show coordinator, Interstate Restaurant Supply Company, P.O. Box 11366, Washington Station, Los Angeles, Calif. 90011, or call 213-232-4141.

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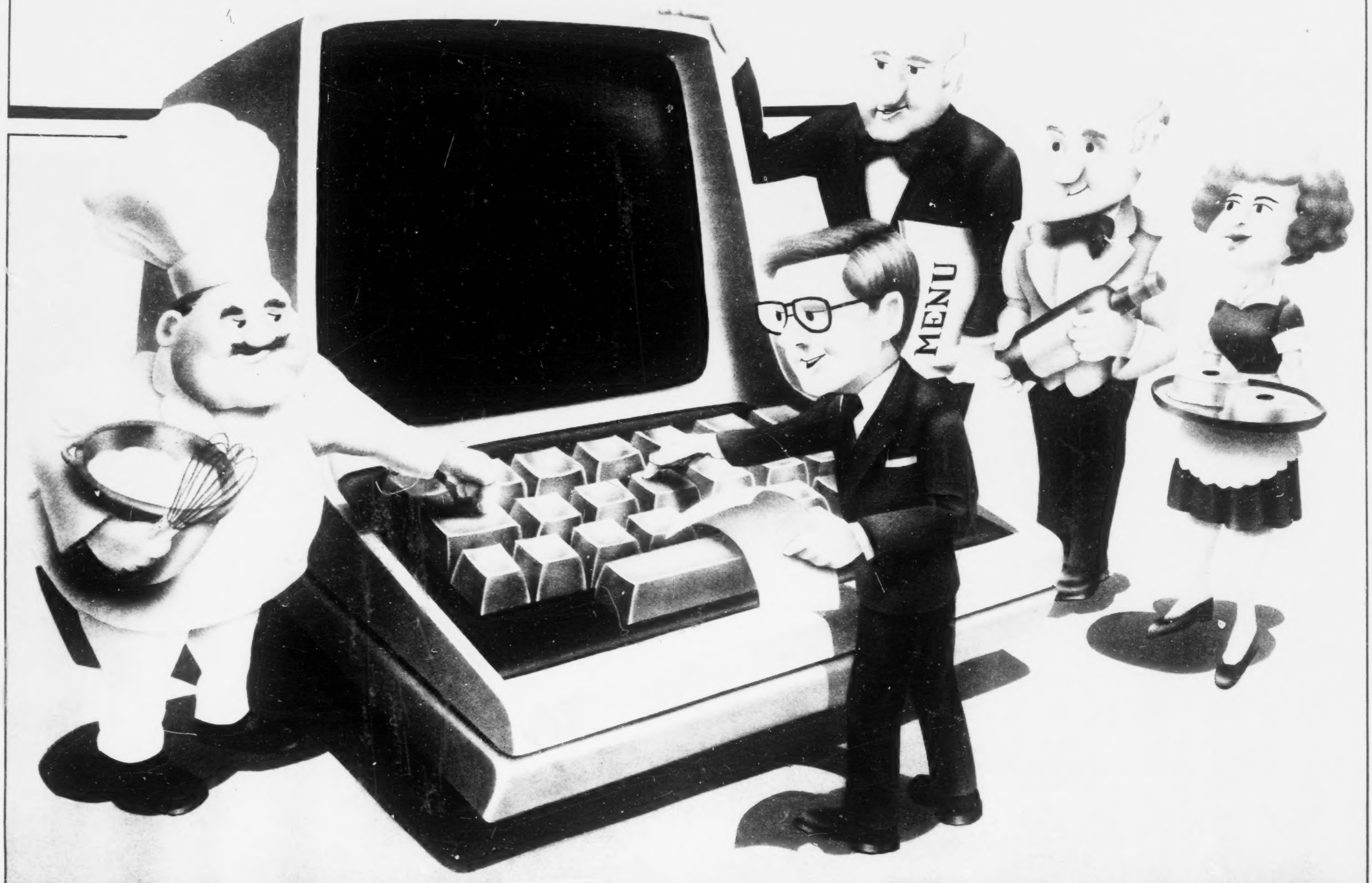


CONTROL SYSTEMS

A COMPUTER REVOLUTION

By Joe Edwards

It has been a long time coming, but the technological revolution which has dramatically changed the way American retailers do business has hit the food-service industry with full force.

Computers and other electronic control systems have been used in a limited way for years, especially by fast feeders and contract feeders, but only recently have they been embraced by operators in every segment of the industry.

Food-service operators on many levels resisted computers for years, fearing what they perceived as a depersonalization of service. Only in the last few years have those fears been subsiding; hardware manufacturers have given a priority to developing systems for food-service operations.

Debate among operators today is centered on what types of hardware to buy and what kinds of software programs are needed rather than whether an operation should be plugged in at all. Many major chains and a growing number of independents have computer-based point-of-sale terminals or electronic cash registers at the unit level. They are expanding the functions of their systems to receive all sorts of management information.

Computers and electronic devices also are being used to control and manage heating, ventilating and air conditioning systems, provide security, mix drinks, and tell grill workers when to flip the hamburgers.

Many food-service companies are using computers at corporate headquarters to keep track of unit operations, perform data-processing services and help control overall operations. Companies such as McDonald's, Howard Johnson, Ponderosa and others employ systems analysts and programmers to develop new applications for management information systems.

In the lodging industry, the new technology is appearing throughout hotels to control energy use, provide better security and safety, make reservations systems faster and more efficient, and control food and beverage operations.

Hardware manufacturers report that computers for food service is one of the fastest growing segments of their industry. One large supplier shipped more than 8,000 systems to restaurants last year.

Even operators who have not invested in their own computers are benefitting from the technological advances of the last few years. They are renting computer time to receive detailed management control information reports based on data collected by their own electronic cash registers. Several companies develop custom-made programs for individual restaurant operations.

There are, of course, holdouts among food-service operators who are computer-shy and still insist that computers have no place in such a highly personal business.

Those who are pleased with the performance of computers in their establishments maintain that with the proper research just about any operator can find a system to suit his or her needs.

Jack Levine, chairman of American Hospitality Management Co., New York, operator of several tablecloth restaurants, advises operators to do their homework and know exactly what they want from a computer before making an investment.

"By far the most critical decision here has to do with the role of the computer in the management of your business," Levine wrote in his book "Counting on Computers."

Manufacturers have reported that a typical restaurant system costing $30,000 and including several point-of-sale terminals, a computer and printers can reduce liquor costs 1%, food costs 2%, save 20%-25% in floor service time, and slash 45% from bookkeeping time.

Interviews with operators bear out these claims. One operator of a Florida tablecloth restaurant said a $30,000 system he installed paid for itself in a couple of months and is saving him thousands of dollars a year in labor costs even though he is not using it to its fullest advantage.

There are three basic types of electronic cash registers used in food service. The basic machine accumulates sales data and prints error-free, easy-to-read checks for customers.

In-line systems are generally used in larger restaurants and food-service facilities. A number of "slave" terminals are hooked up by cables to a single "master" unit which collects all data from the slaves as well as sending programming information.

On-line systems are used in multi-unit operations. Electronic cash

(Continued on page 66)

Debate among operators today is centered on what types of hardware to buy and what kinds of software programs are needed rather than whether an operation should be plugged in at all

NRN FOCUS

CONTROL SYSTEMS

COMPETITIVE ANALYSIS—SELECTED CHAINS

Company	MIS application areas POS	DDP	DBMS	OFFICE	SA/PGM	Type computer	MIS $	% Revenue	Comments
Bob's Big Boy	No	No	No	No	5	Sys 34	$100,000		MIS plays minor role in company
Burger Chef	Yes	No	IMS	No		370/138 4331		0.54%	
Church's	Yes	Yes	S2000	No		4341 Sys 34		0.45%	
Commonwealth Holiday Inns	Yes	No	No	Yes		370 115		0.75%	
Denny's	Yes	No	IMS	Yes		3031 370/148		0.45%	Major development effort under way
Dunkin Donuts	Yes	No	No	Yes		Wang 2000		1.00%	
Greyhound Food Mgt.	No	No	No	No		3033		0.5%	
Hardee's Food Systems	Yes	Yes	No	No		3031		0.26%	
Howard Johnsons	Yes/5 yrs	Yes/11	Total	No	35 to 60	370/158 4341 11-GA Series 1	$3.5 mil		Going to major implementation of POS over next 5 years
IHOP	No	No	No	No	6	Univ90/30	$600,000		
Jerrico	Yes	Yes	Yes	Yes		370		0.40%	
KFC	Yes	Yes	No	Yes		3031			
Krystal	No	No	No	No		370/138		0.58%	
Mannings	No	Yes	No	No		4331		0.70%	
McDonald's	Yes	Yes	Yes	Yes	40	370			
Pizza Hut	Yes	Yes	Yes	Yes		370/168			
Ponderosa	Yes	Yes	IMS	Yes	19	370/3031	$2.7 mil		Expanding role
Poppin' Fresh Pies	Yes	No	No	No		H6C90		1.80%	
Shoney	Yes	Yes	No	Yes	4	NCR	$450,000		

Source: *Positive Support Preview Inc.*

LEGEND: MIS Application areas—areas of focus of the MIS organization. POS—Point of Sale. DDP—Distributed Data Processing. DBMS—Data Base Management Systems. OFFICE—Office of the future and personal computers.
SA/PGM —Number of systems analysts and programmers doing development work for new MIS applications.
Type computer —Type of Computer.
MIS $ —MIS budget in absolute dollars.
% Revenue —MIS budget as a percentage of total revenue.

This chart was prepared for *Nation's Restaurant News* by M. Victor Janulaitis, president of Positive Support Review Inc. of Malibu, Calif. Janulaitis manages and participates in management consulting engagements relating to critical success factor analysis and definition, strategic planning, operational reviews and audits, positive support reviews, MIS (management information systems) planning, and the design, development and implementation of management information systems and educational programs for senior management.

The food-service industry embraces computers

(Continued from page 63)

registers are connected to a master computer at the central office over telephone lines. Control data is collected in the master unit for quick and simple readouts. The master can transmit information to the slaves. Information collected by these systems is available to unit-level managers and central office staff.

Point-of-sale terminals and electronic cash registers can perform numerous tasks, depending on the complexity of the system and how it is programmed. Among the functions are issuing daily financial reports, number of menu items sold, inventory levels, inventory dollar values, recipe costs, labor timekeeping, and labor costs per hour.

Back-of-the-house systems perform a number of financial accounting functions including payroll, purchasing, accounts payable, sales accounting, accounts receivable, general ledger, and weekly and monthly profit and loss statements.

Such computer systems also can provide recipe costing, menu sales analysis, menu and food item explosion, food inventory, beverage inventory, and quality control. Some can also be programmed to provide planning, projections, budget preparation, cash flow forecasts, and variance analysis.

Service employees can be trained to use point-of-sale terminals and electronic cash registers in a few hours, according to many operators.

In addition to speeding service, cutting food and labor costs and making kitchen work easier and quicker, these systems also eliminate error on the part of service personnel. Waiters and waitresses punch orders into the terminals by striking keys marked with specific menu items or entering a two- or three-digit code number for menu items and drinks.

The machines are programmed with price information and print and tally checks, figuring in sales tax and the amount of change a customer receives; they can also figure in discounts. They cut down on undercharges which by one estimate gobbled up about 3% of total food-service sales last year.

Orders are prepared in the kitchen more quickly because chefs and cooks don't have to spend time deciphering handwritten orders; the orders are transmitted to kitchen help on video display terminals or by printers. The absence of scrawl on guest checks also keeps customers and bookkeepers happy.

M. Victor Janulaitis, a management consultant who heads Positive Support Review in Malibu, Calif., said data-base management systems are being utilized by a growing number of organizations trying to gain productivity improvements.

"Most of the major operations are taking advantage of economies of scale and are developing POS systems to provide competitive advantage to them over small operators," Janulaitis said. "As restaurant operations become larger, the amount spent for management information increases dramatically in both absolute dollar amounts as well as percentages of sales."

Full-service restaurants are plugging in

(Continued from page 65)

issue inventory purchase reports, ingredient price lists, received items markup report, ingredient usage comparisons, menu cost history and actual ingredient usage reports.

The computer at American Hospitality Management Co., operators of some well-known full-service restaurants in New York, is programmed to report on daily sales, condition of premises, weekly sales, weekly profit and loss, weekly operations analysis, monthly operations, monthly summaries and variances and forecasts.

Staff training is relatively easy, according to many operators. "It's preset," one manager noted. "What has to be learned is how to activate the system and record orders. There are no prices to remember."

Falchi reported that his staff at the Waterfront took well to the computer. It took about six months for employees to fully accept it; of the 80 employees, only six or seven quit.

Operators can keep tabs on how a price increase for a particular raw material will effect the food cost of the menu items using that particular ingredient. They simply punch in the new price; the computer scans the recipe file, locates the items which use the ingredient in question and refigures the food cost.

The computers also keep track of how individual menu items are selling. Arthur Gross, owner of the Clam Box in Cos Cob, Conn., said he removed deviled crabs from his menu after seeing its poor performance listed on computer print-outs.

WATCH OUT, McDONALD'S!

C-stores muscling in on fast-food

By Rurick Telberg

With one foot in gasoline retailing and the other in groceries, the convenience store industry is taking an ever bigger bite of the fast-food restaurant market.

The nation's 38,000 convenience stores are being lured by the fatter profit margins and traffic-building pull of food service at a time when their own gasoline and merchandise sales and margins are softening.

C-stores, in the industry jargon, are locking onto the lower end of the fast-food market that maturing fast-feeders have abandoned for broader menus and higher checks.

Almost every major c-store chain has opted to participate in this large-scale assault on fast-feeder turf. Most active are Southland Corp.'s 7-11 chain, Circle K Corp., Majik Market, Lawson Milk, Convenient Food Marts and National Convenience Stores' Stop N Go group.

"Fast food is a consistently growing percentage of our total sales," said Harry Hunter, executive director of the National Association of Convenience Stores, a trade group. "And I see no reason why that growth should not continue."

Fast-feeders are already fighting back, however. Breakfast programs were spurred, at least in part, by convenience stores' rollout of morning coffee and doughnuts. Fast-feeders are devoting resources to speed convenience with drive-through windows. They are competing on price with massive couponing campaigns and price-freezes.

But c-stores are stepping up efforts to confront restaurants directly.

The 7-Eleven chain, which enjoys a market position in the c-store industry similar to McDonald's in the fast-food industry, has boosted its ad budget and taken direct aim at the breakfast customers of fast-feeders.

C-stores also have an advantage when it comes to site location. They are half as expensive to build, even with the average $10,000 worth of fast-food equipment. And they are small, usually 2,500 sq. ft., allowing them to squeeze into spots between fast-feeders to siphon traffic flow. In addition, an average c-store needs a market base of 2,000 customers, compared to several times that for a fast-feeder, leading one research firm to project their numbers will double by 1990.

Ninety-five per cent of the c-store chains now have some kind of take out food-service program and experiments with in-store seating are commonplace.

Cold sandwiches are in 95% of the c-store chains. Hot sandwiches are offered in about 90% of the stores, hotdogs or doughnuts in about two-thirds, salads or pizza in about half, fried chicken or frozen entrees in about one-third and hamburgers are in one-quarter of the stores.

Last year, according to *C-Store Business*, a trade journal, the number of firms reporting they had fried chicken or frozen entrees rose 30% from 1980 with 60% more chains adding deep-fat fryers and 50% more chains adding fountain drink machines.

Fast-food sales in convenience stores now amount to a new, and largely hidden, factor in eating-away-from-home trends, according to some analysts.

According to government and industry sources, the c-store industry last year had sales of $22.3 billion, $8.2 billion of which was gasoline sales. Ten years before, in 1971, when there were 15,000 c-stores, they had $3 billion in sales and the fast-food category was imperceptible.

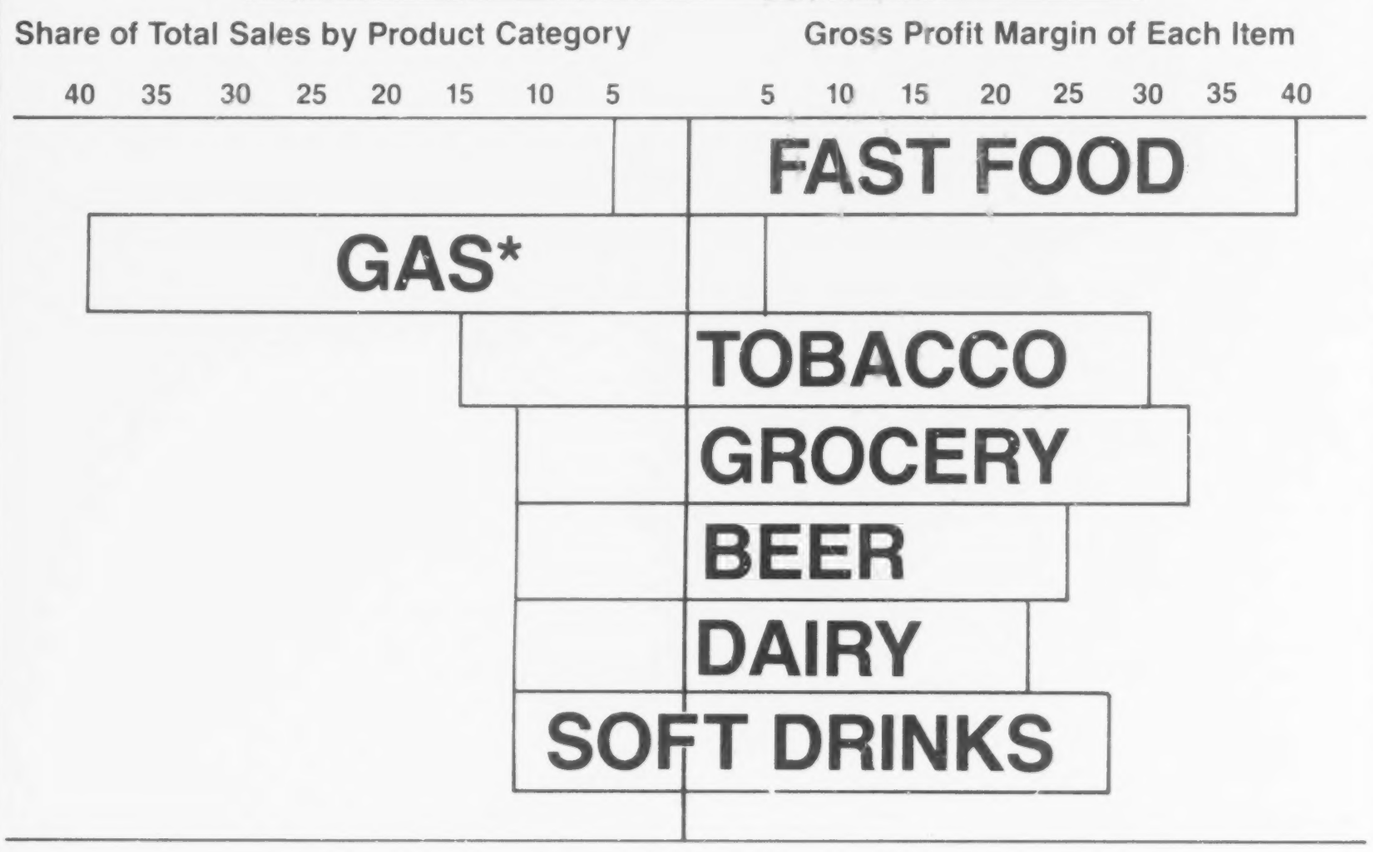
C-stores adopted gasoline during the 1974 oil embargo. Before 1974, the category was practically ignored in industry studies. Now half of the 38,000 c-stores offer cut-rate gas.

Convenience store industry insiders classify about 5%, or about $750 million last year, of their in-store sales, which excludes gas, as fast-food sales.

But when portions of soft drink, alcoholic beverage, ice cream, snack, candy and bread

(Continued on page 91)

CONVENIENCE STORE BUSINESS PROFILE



Source: *NRN Research*

*Gas is shown as percentage of total sales. All others are shown as percentage of in-store sales.

While fast food accounts for 5% of sales at convenience stores, it has a 40% profit margin; more than any other product line.

Major convenience store chains confront food-service problems

NRN Special Report

Convenience store chains are encountering problems in the fast-food market that as retailers they never had to face before.

C-store managers are accustomed to labor costs of about 12% of sales, but restaurateurs handle twice that. C-stores are groping for ways to run food counters without adding a third employee to the daily payroll.

C-store chains have been stingier with their advertising budgets than the marketing-mavens of the fast-food industry. As c-stores work to attract the typical fast-food customer, their ad budgets are rising from 0.5% of sales to the fast-food industry's norm of about 3%.

Quality, though, may be c-stores' biggest challenge. The c-store industry is based on a distribution and warehousing system that minimizes in-store inventory in order to maximize in-store selling area. But the taste and texture of food suffers by the time lag between making a sandwich at a central commissary, freezing it, shipping it, defrosting it and heating it in a microwave oven.

C-stores are confronting their problems cautiously and systematically. Here are the highlights of their strategies:

7-Eleven boosts advertising budget

Southland Corp.'s 7-Eleven chain boosted its ad budget this year by 40% to $135 million, which amounts to about 3% of sales for the company. The campaign takes dead aim at the breakfast market, in hopes of stealing customers from fast feeders, and at the dinner market, where 7-Eleven battles supermarkets.

The chain offers a biscuit breakfast, but the centerpiece of 7-Eleven's fast-food program is the flash-frozen burrito which is microwave-heated at the store. The burrito was rolled out nationwide in 1978, after seven years of tests which left fried chicken, french fries and some other items by the wayside.

7-Eleven's fast-food sales, defined broadly to include snacks as well as full-meal occasions, could top $1 billion this year, ranking it in the top 10 of the nation's fast feeders.

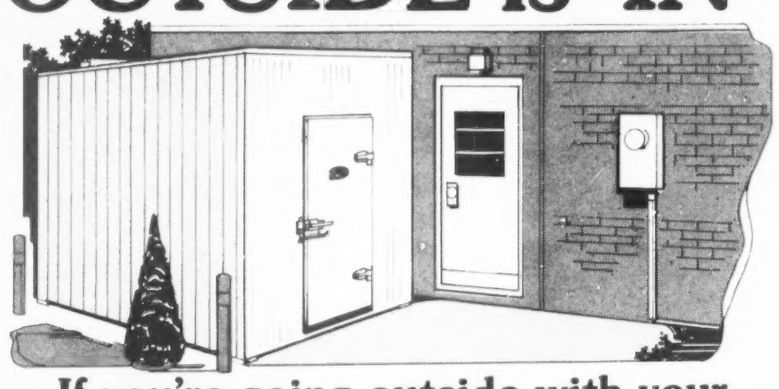
Circle K Corp. offers sandwiches, burritos

Circle K Corp., which was founded by ex-restaurateur Fred Hervey in 1951, offers a line of 28 sandwiches as well as burritos and corn dogs. Each of three commissaries churn out 18,000 sandwiches a day.

Hervey, now chairman, stepped into the convenience store business after buying a grocery store to assure a reli-

(Continued on page 92)

OUTSIDE is "IN"



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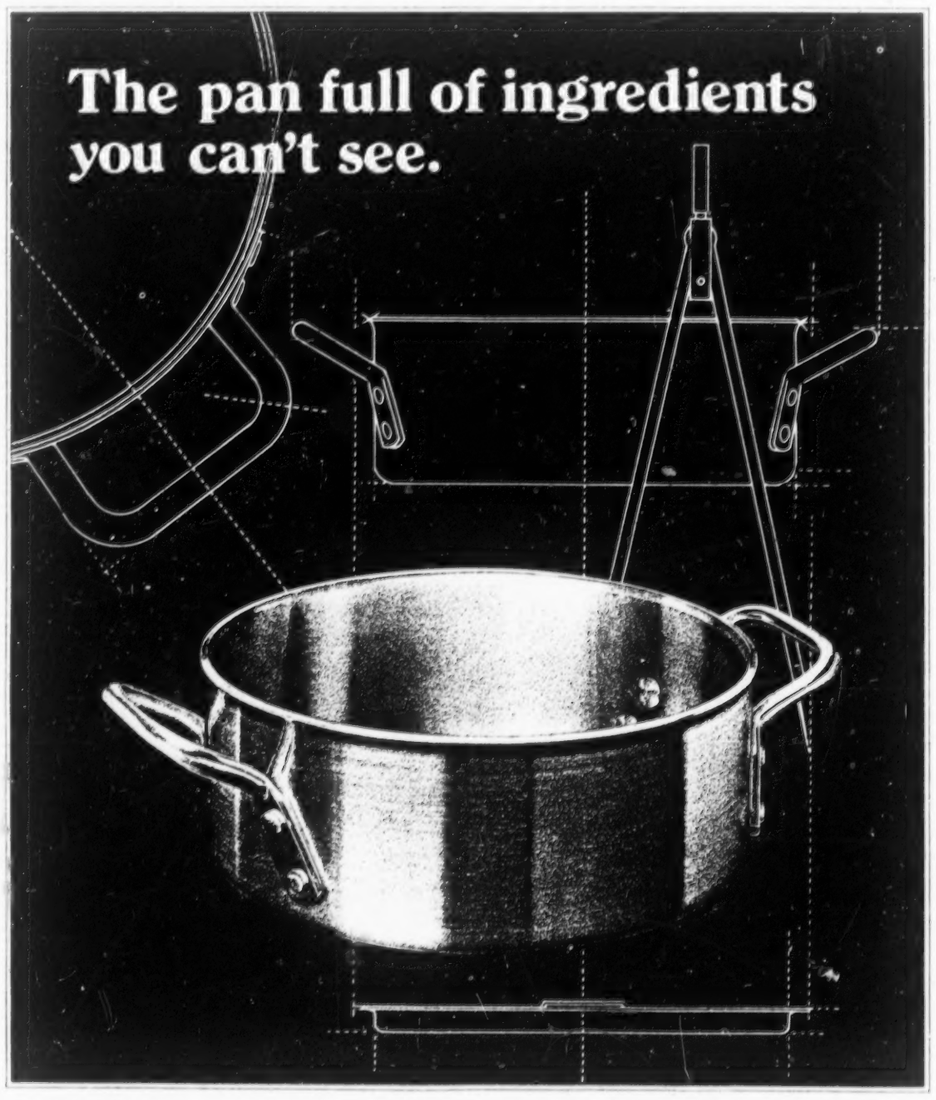

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WATCH OUT, McDONALD'S!

C-stores putting the squeeze on fast-feeders

(Continued from page 89)

and pastry sales are added, fast-food sales, now defined broadly as food to be eaten immediately, rockets to about 15% of total sales, or $2.25 billion last year.

C-store executives disagree among themselves on the definition of fast food.

The 7,000-unit 7-Eleven chain, for example, classifies only about 6%, or $222 million in 1980, as fast food, which includes hot beverages, fountain drinks, sandwiches and microwave foods.

But the second-largest chain, 1,200-unit Circle K, classifies 25% of its sales, or $161 million in 1981, as fast food.

"If you took the food service out of our c-stores," said one executive of a major chain speaking of the industry in general, "we'd all close."

In this context, c-store fast-food sales account for about 7% of the $32 billion fast-food restaurant industry. C-store fast-food sales rival commercial cafeterias as a force in the restaurant industry. By some estimates, it may be bigger than every fast-food chain's sales except McDonald's.

In addition, fast-food sales in c-stores are growing faster than fast-food sales in restaurants, which is the fastest-growing part of the restaurant industry. "And grabbing more sales in a growing market is easier than trying to expand in a stagnant one," Eugene Gerke, an economist, told c-store executives during a fast-food seminar in January.

Convenience Store News, another trade journal, reported that fast-food sales in convenience stores rose 23% from 1979 to 1980. Analysts expect a similar jump for 1981 as soon as results are tabulated.

By comparison, the National Restaurant Association estimates fast-food sales rose at half that rate, 12%, last year.

The 7-Eleven chain, has boosted its ad budget and is taking aim at breakfast customers of fast-feeders.

The c-store industry's headlong rush to fast foods comes at a time when their sales, profit and new-unit expansion growth rates have faltered. But a slowed growth rate for the c-store industry is still tremendous compared to the restaurant industry.

Sales grew 18% to $22.3 billion last year, compared to a 34% gain to $19 billion from 1979 to 1980.

But the growth of new stores has remained relatively flat for three years, increasing about 5%. So c-store chains are concentrating on ways, much as in the restaurant industry, to boost sales and margins at existing stores.

They see fast food as the best thing since the 1974 oil embargo. Gross profit margins on fast food can range from 40% to 60% of sales, while c-store managers are accustomed to about 30% on their other merchandise lines.

For a one-shot capital investment of no more than $10,000, c-stores can generate added sales from fast food and increased traffic of $20,000 per year, which easily covers the increased labor cost.

Competitive Edge

Fast food boosts the average check at c-stores from under $2 to about $2.50 when fast food is part of the purchase. The average fast-food check in c-stores is under $2, giving c-stores a clear price advantage over fast feeders.

In addition, c-stores and fast-feeders are battling for the same customers. And since the average consumer visits a c-store at least twice as often as a fast-feeder, c-stores have chances to change consumer's habits more often than fast-feeders.

"Watch out McDonald's!" declared the authors of a 1980 Gallup poll commissioned by the c-store trade association. "Our survey shows that 20% of all adult customers purchase fast food at their convenience stores."

CONVENIENCE STORE CHAINS RANKED BY NUMBER OF STORES

Chain	Headquarters	Stores
7-Eleven (Southland Corp.)	Dallas	6,900
Circle K Corp.	Phoenix	1,200
Majik Market (Munford Inc.)	Atlanta	1,100
Convenient Food Mart	Louisville	1,100
Cumberland Farms	Canton, Mass.	1,100
Utotem (American Financial Corp.)	Houston	950
Stop N Go (National Convenience Stores)	Houston	950
Lawson Milk (Consolidated Foods Corp.)	Cuyahoga Falls, Ohio	730

Source: *Company reports, NRN Research*

Eight chains dominate convenience store market

The eight largest convenience store chains account for almost two-fifths of the nationwide c-store market, but their slice of the pie is narrowing as new chains enter the fray.

Self-serve Gas

Multinational oil companies, in particular, have sunk huge resources into c-stores. Stung in the 1970's by the closing of 160,000 of the 220,000 service stations open in 1971, oil companies are finding reliable retail outlets in self-serve gas in the parking lots of c-stores.

The Sun Oil Co., which owns Fast Fare, Stop-n-Go, and Zippy Mart, has 1,200 stores. The Atlantic Richfield Co. jumped into the market in 1980, and after a year, had opened 500 AM-PM Mini Markets across the country.

7-Eleven, however, still dominates the c-store industry. Laventhol & Horwath estimates that the Southland Corp. commands almost 20% of the nationwide market.

Smaller convenience chains leap onto the fast-food bandwagon

A host of smaller c-store chains are jumping on the fast-food bandwagon:

• The 420-unit Shop & Go chain, based in Mango, Fla., built two-thirds of its stores in 1979-80. Now it is adding fast-food counters at the rate of 10 stores per week. They are now halfway done with the job, according to Jim Harris, fast-food supervisor. "We're definitely competing for the eating-away-from-home dollar," he said.

Fresh Pizza

• Henderson, N.C.-based Fast Fare, a 340-unit chain owned by Sun Oil Co., plans to open a store selling fresh pizza. This comes a year after a Raleigh unit scored a 30% sales gain with a biscuit breakfast. In 1980, Fast Fare scored similar success with fried chicken. Admitting they are copying the fast-feeders, Bill Turley, Fast Fare marketing vice president, said, "Locating next to a fast-food restaurant is a plus for us. They generate traffic."

• Time-Saver, a 122-unit New Orleans chain owned by the Dillon Cos., a supermarket chain, plans to begin early this year converting 25 to 50 stores per year for Po Boy sandwiches, a regional favorite. A lesson on quality was not lost on executives who found that after lengthening the sandwich from 8 in. to 10 in., and increasing the price from $1.90 to $1.99, sales jumped 50%.

• Executives at Git-n-Go, a 70-unit Tulsa chain, also learned a lesson on quality. The chain is experimenting with burgers, chicken and seating. But fresh delis are its main emphasis. Said Don Miller, merchandising director: "When we put the first fresh deli operation in, we tripled our sandwich sales."

More and more gas station operators are trying to cash in on the fast-food market by taking advantage of their strategically located properties. *Page 116*

THE GROWTH OF CONVENIENCE STORES

Year	Total C-store Sales (millions)	Gasoline Sales (millions)	Total Number of C-stores in U.S.	C-stores with Gasoline
1971	$ 2,910	—	15,075	—
1972	3,550	—	17,600	—
1973	4,350	—	20,300	—
1974	5,320	$ 360	22,700	3,520
1975	6,200	720	25,000	5,275
1976	7,420	1,120	27,400	7,400
1977	8,850	1,470	30,000	8,800
1978	10,600	1,890	32,500	11,500
1979	14,100	3,600	34,125	14,180
1980	18,900	6,500	35,800	16,750
1981	22,300	8,180	37,800	17,500

Source: *NRN Research*

Chains clamping down on price increases

(Continued from page 1)
by contrast, the same chains' prices averaged 8.2% above year earlier figures. In 1980 the prices were 9.8% above 1979. And in 1979 they were 7.9% higher than in 1978.

Chain executives, for the most part, say they are not actually developing any new formulas to calculate menu prices.

Kenneth Hill, president of W. R. Grace's Gilbert-Robinson, operators of Houlihan's and other casual concepts and dinnerhouses, addressed this question in typical fashion.

Menu prices are "still, as a rule, based on food cost," Hill said.

He noted, "We tend to juggle menu items, to drop an item if its cost gets out of hand and it no longer has a good value for the customer."

But the basics remain the same, Hill said.

Others indicated they used similar formulas with labor and energy costs most often factored in, along with commodities prices.

The executives queried say they see themselves in the current situation as taking advantage of stable food and labor costs to impress the value of their offerings on a recession-ridden customer base. If costs go up and economic conditions improve, they say they won't hesitate to hike prices.

"We have a little bit of flexibility, so we can hold the line," said one hamburger chain president.

"A lot of livestock breeding costs haven't gone up," said Pizza Inn president Frank Spillman. "Providing costs don't go up, we don't plan to raise our prices. They're about 4.5% ahead of where they were a year ago. But if things do go up, we plan to pass them along."

Food-service executives see pricing as historically cost-driven. A typical view would be that of Clyde Culp, president of Davco, Crofton, Md., and affiliate of Krystal and operator of about 55 Wendy's in Maryland and St. Louis.

"When hamburger goes up 20¢ a pound you don't have much choice as to what you're going to do with prices," Culp said.

To many outside the industry and at least a few in it, however, it appears that the days of cost driven pricing were based on a market in which continued profit depended on continued expansion.

Now, it appears that some segments may have saturated their markets—at least in the United States and that the money supply in this country will be inadequate to fuel anything like previous levels of expansion for years to come.

Current modest expansion plans on the part of many, unit-downsizing, and menu-item proliferation all support such a view.

They also support the theory that the current "price freeze" is as much a result of the market pressure as anything else.

One industry observer—a pricing consultant, pooh poohed this thought. "It's a game called chicken," he said. "They're waiting for somebody to assume a position of price leadership."

But several chain executives seemed to see a deeper problem.

"Yes, we're afraid," said Culp. "But it's because we don't want to threaten the share of business we have now."

A recent CREST (Chain Restaurant Eating-out Share Trends) survey on price sensitivity, saw things the same way:

"Restaurants taking above average price increases are likely to lose traffic by seeing their customers shift their visits to less steep price takers during both periods of overall industry weakness and recovery.

". . . it is likely that overall growth for these outlets will lag competitors' due to the losses being incurred through 'brand' shifting."

Vincent Lambiase, vice president and general manager of Denny's Winchell's Donut Houses, noted, "The bigger and stronger chains are cautious and efficient. They create a price umbrella for everyone else."

"Of course we want adequate return on investment but, at the same time, we don't want to invite competition by creating unrealistically high margins."

It would appear that many have changed their pricing formulas in a de facto sense by throwing in a bigger dollop of "competition" than they ever allowed themselves before.

Bud Gates, Pizza Hut marketing vice president, noted, "There seems to be a general concern with the economy that's resulting in a conservative attitude toward pricing on the part of many restaurateurs."

But Pizza Hut itself, which for various reasons has been very successful in the last two years in gaining market share, has taken advantage of this fact to raise prices at a faster rate than competitors.

Pizza Hut prices, according to Restaurant Industry Trends, were 7% above year earlier levels in January, 7% higher again in February and 6% higher in March.

Pricing on the part of Pizza Hut seems market rather than cost driven. The same set of facts also suggest that perhaps price behaviour on the part of competitors—who are losing market share—is also market driven rather than cost driven.

Perhaps the most obvious example of a chain working on a shift from cost driven to market driven pricing is McDonald's in its experiments with the McRib sandwich.

Since the price of the McRib—$1.25 in most test stores—is about a quarter lower than the list for a Big Mac, it's hard to doubt that the hamburger chain is hoping that its customers, feeling the hand of tough times in their pockets, will behave logically and buy the McRib in great numbers, especially at dinnertime.

It's transparently market-driven pricing.

So far the industry's hold on pricing is most visible in the fast-food segment. Restaurant Industry Trends tracking of all eating and drinking places shows year-to-year prices for the first quarter up more than 6%.

Historically, prices at limited menu and limited service restaurants are much less elastic than they are at full-menu, full-service operations.

Still, the rate of menu price increase at all restaurants has been falling steadily for about 13 months, according to Restaurant Industry Trends trackings.

Worth keeping track of through all this are food-store prices.

Many in the restaurant industry feel strongly that the key to restaurant profitability lies in the rise and/or fall of food-store prices.

In their view the competition to any restaurant—on a macro scale—is not another restaurant, but at-home eating.

In recent months the rate of increase in food-store prices has, in fact, been lower than the rate of increase in restaurant prices.

Restaurant Industry Trends reports these prices at levels about 3.6% over last year for the first quarter.

This is an advantage food stores enjoyed over restaurants through most of 1981. The difference in between the two rates of increase fact, appears to be moderating, a good sign for restaurants.

Despite all the attention paid to restaurant price strategy as perhaps the business's most critical marketing factor, the CREST study mentioned earlier also noted that "Neither is a tight hold on prices the easy answer to customer traffic growth. Finding a means to hold prices is likely to help during periods of high-food inflation but at other times . . . factors other than price seem to support the means to capture visits."

What are the other factors?

Some examples CREST gave were perceived value, desire for service, higher interest food offerings, entertainment, menu variety and relief from stress.

Recent Menu Price Increases

(% change over previous year)

	Dec.	Jan.	Feb.	March
Selected fast-food chains & coffee shops	5.8	4.9	4.2	4.6
All eating & drinking places	6.7	6.5	5.9	5.9 est.
Food stores	2.6	3.5	3.7	3.7 est.

Source: *Restaurant Industry Trends, Colonia, N.J.*

Druther's avoids bankruptcy

(Continued from page 1)
Nevertheless, during the crisis, the company instituted a long-overdue name change, dropping Burger Queen and adopting Druther's.

After much soul-searching they dropped the company mascot, Queenie Bee, as well. "It was a hell of a lot harder to let go of Queenie Bee than the name Burger Queen," Hensley said.

Druther's has now rolled out Andy Dandytale, a Tom Sawyer-like character who spins tales of American history. The children's market is the target.

In addition, the company plans this summer to trim its six item burger line, which accounts for less than one-quarter of sales, and introduce a revamped product, maybe with a more textured, earth-grain roll.

Hensley said the company's problems began in 1976, when the chain began to build about 30 units per year.

The company was rolling in profits because each new store opening added $20,000 to $30,000 in quick, one-time franchise fees, equipment sales and early sales surges.

But, in order to set up the franchisees, the company co-signed the franchisees' liabilities and paid their bills from their receipts, relieving the franchisees of the day-to-day headaches, but also the risks.

Druther's has rolled out Andy Dandytale, a Tom Sawyer-like character, as the new company mascot.

Because of the joint-ventures, the company's net new debt soared from $970,000 in 1977 to $2.3 million in 1978.

Even though systemwide sales and revenues gained with the expansion, half of the sites chosen in the boom years turned out to be duds, Hensley said, leaving the company vulnerable to the 72-day coal miners strike in early 1981.

Sixty of the chain's 173 stores last year were in coal country, and they were all the highest-volume stores. When Hensley turned the screws on franchisees, they staged a short-lived revolt, unaware of the company's deeper problems.

But as the company paid bills later or not at all, these problems became evident. Suppliers cut off credit and cashed checks sooner, robbing Druther's of $1.2 million in cash flow from the float on checks in September and October last year. The firm fell about $2 million behind in paying its bills, the bank cut the credit line, and landlords went unpaid.

At that point, Druther's brought in outside consultants who recommended Chapter XI, but the bank came through with a restructured debt plan.

Since the bank's debt was unsecured, it would have been the last in line to get repaid if Druther's filed for protection from creditors under Chapter XI

The bank's demand that the founders of the 20-year-old chain, chairman George Clark and Harold Kite, relinquish controlling ownership of the company has been put on hold while the situation continues to be sorted out.

If the company had gone Chapter XI, the founders, who share 82% of the stock, and Hensley, who owns 10%, would have lost both day-to-day control and, very likely, their investments.

Robert Neville named NRA staff chief

(Continued from page 1)
bility and positive leadership which it desperately needs now," was the consensus.

Actually, sentiment had been building in favor of Neville as the ideal choice, and the executive committee was called back into emergency session for an unexpected second morning after the original one-day meeting on various matters, including this, was completed.

"It was just a matter of the key NRA leaders finally making up their minds to stand up for what they had really felt for a number of months," one committee source said, "and then each seeing that everyone else actually agreed."

The search committee, which had been named earlier, was promptly abolished, and Neville, 64, was assured he would serve as staff chief at least three years and possibly longer —"certainly long enough to make a major impact and get everything rolling," a source said.

Neville said he was pleasantly surprised by the appointment. "If that's what the executive committee and board want, it's fine with me," he declared. "I'm flattered that they're at least taking away my learner's permit," he said smilingly.

Neville was credited with wielding a firm and fair hand in this, his second stint as acting staff chief. But this time he had full power to take decisive actions.

While naming Neville executive vice president and staff chief, the executive committee also voted unanimously to make the one-year elected chairman (to be John Dankos this time) president as well and in effect chief executive officer.

Earlier the executive committee approved a recommendation by the nominating committee that Harris Machus, owner of Machus Enterprises, Birmingham, Mich., be named treasurer. Machus, who has headed the nominating committee for the past two years and has been an active NRA board member for many years, was unanimously recommended by the nominating committee.

The nominating and executive committees also recommended Dankos, who had been treasurer, for chairman and president, and Joe Lee for vice president, subject to NRA membership approval May 24.

Jack Laughery, NRA vice president who was to have moved up to president, confirmed his previous statement that he would be unable to serve because of the intense demands on his time caused by acquisition of Burger Chef.

In a statement after the executive committee meeting, NRA outgoing chairman Walter Conti praised Neville as "a man who knows the Washington scene and has a deep knowledge of our industry gained through broad contact with members of all segments of food service."

Conti emphasized that, "when the board asked him to assume staff leadership in January, he quickly took hold of the organization and maintained its momentum. His performance has clearly demonstrated his competence. His experience and judgment guarantee the continuity and stability of the NRA."

Meet

PEOPLE

in every issue of

NRN

- *Special NRA Show Preview—Pages 173-178*
- *Chicago Market Study—Pages 59-96*

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Industry grapples with recession

Independents plagued by flat counts, sagging sales

By Joe Edwards

Independent restaurant operators in many parts of the country are struggling with sagging customer counts and sales as the persistent downcycle wrought by a weakened and stagnant national economy continues to take its toll.

Most independents are more vulnerable to the recession than large food-service corporations because they do not have the economies of scale enjoyed by large national and regional chains. On the plus side, they often enjoy advantages over chain restaurants in their local markets.

"Sales are up slightly and customer counts are holding steady" is the most frequently heard comment by independents, but some statistics suggest that is not always the case.

Nominal store sales for all eating and drinking places including independent restaurants increased 6.2% in December, 2.9% in January and 5% in February, according to the U.S. Commerce Department's Bureau of Labor Statistics. After adjustments for inflation, however, sales were actually off 0.5% in December, 3.4% in January and 1.4% in February.

Restaurants, always considered high-risk ventures with a high failure rate, have been closing with growing frequency. Exact figures are hard to come by since many bankrupt operators simply shut their doors without filing for Chapter XI reorganization. The number of operators who filed for Chapter

(Continued on page 213)

Chains appear to be gaining following rock-bottom winter

By Charles Bernstein

Food-service chains in the past few months generally have reversed downward customer count trends to a point where they are at least flat or up slightly.

The general perception is, as one knowledgeable analyst put it, that "the industry hit rock bottom in February, but the worst is over."

Nevertheless, uncertainty abounds about the second half. With the April unemployment rate having jumped to a 40-year record 9.4% (almost 20% among blue collar workers), operators aren't out of the woods yet. Interest rates that could rise from 16% back toward 20% and an uncertain outlook on President Reagan's 1983 budget-tax package further cloud the issue.

One thing clear is that chains must try to hold the line on prices—a strategy that has seen menu price hikes of no more than 5% in the past year and some price freezes. Price-cutting promotions and couponing still loom importantly if not overdone to blur the value image. New product introductions are being accelerated too.

Generating more customer traffic is the key challenge. Chains seem able to control costs, but their sales are subject to the whim of the economy. Economic conditions remain surprisingly weak in key areas of the Northeast and Midwest, where unemployment is acute in the automobile, construction and steel industries.

Unemployment was cited as the No. 1

(Continued on page 213)

Struggling airlines trimming excess fat from food programs

By Roman Czajkowsky

HOLLYWOOD, Fla.—Buffeted by staggering losses, increasing competition and a general restructuring of the nation's route system, major United States carriers are rethinking their traditional approaches to inflight meal service.

Where once air travelers routinely were offered complete meals on even short-haul flights, the service today might be a boxed lunch, a snack, or cocktails and soft drinks only.

Today, the choice cuts of steak are in some cases being replaced by less costly fare such as chicken or pasta. Individual portions are being reduced in size. And while the general watchword is still quality, productivity is now getting its fair share of attention.

These developments were the general theme expressed by a number of executives from airlines and caterers who assembled here early this month for the annual Inflight Food Service Association (IFSA) conference.

"There's a cost squeeze on [airlines'] budgets, so they're emphasizing productivity and menu mix strategies and even reconsidering whether they can do without meals on certain flights," said IFSA president Robert Arnold in an interview.

Many of the airline industry's current fiscal woes are the result of escalating fuel costs, reduced passenger travel and a cut-rate fare war borne out of the industry's deregulation in

(Continued on page 213)

Hardee's Sunsphere Restaurant (above) sits high atop the fairgrounds.

NRN goes to the World's Fair opening
Full coverage—p. 15

LATE NEWSBREAKS

Food-service chains continued their recovery in April with a cross-section of 17 leading chains showing an estimated 2.6% average traffic rise over April 1981, Restaurant Trends Inc. of Colonia, N.J., disclosed at presstime. Traffic had been up 0.2% in March after several months of downturns. Menu price rises for these chains rose only 4.3% in April compared with the previous April. The results indicate momentum is turning upward. (Earlier chain story, this page.)

Godfather's Pizza, the 500-unit, Omaha-based chain, is going public with an initial stock offering of 1.35 million shares of common priced at $9.75 each.

Owners of New York's "21" Club said they were negotiating with Charles Atkins, an heir to the founder of Ashland Oil, who has bid to buy into the restaurant company.

To begin in July

Wendy's unveils new ad strategy

MIAMI BEACH—After only slightly more than a year of running time, Wendy's is scrapping its controversial "Ain't no reason" advertising campaign.

Starting this July, the country's No. 3 hamburger chain will air a new drive that's themed "Wendy's kind of people," Wendy's officials disclosed at the company's annual convention here.

The new campaign will focus on Wendy's customers, but will also highlight food preparation, variety and quality.

The new drive is designed to have greater "human appeal, more warmth in its message" than the "Wendy's. Ain't no reason to go anyplace else" campaign, Denny Lynch, Wendy's spokesman, said.

When it was first introduced, the "Ain't no reason" theme generated considerable controversy because of its ungrammatical sentence structure. Moreover, some industry analysts considered the overall campaign too generic and unfocused.

Meanwhile, Wendy's issued its first quarter report. For the three months ended March 31, net profit rose 16% to $8 million over last year's comparable period. Revenues were up 41% to $138 million, while systemwide sales increased 17% to $365 mil-

(Continued on page 213)

Fine Dining Hall Of Fame Awards—Pages 129-148

Sambo's weighs new name, upgraded fresh food image

By Charles Bernstein

CARPINTERIA, Calif.—A new name, an upgraded image to put it in the league of Coco's and Marie Callender's, and an emphasis on fresh food are in prospect, according to one projected plan being eyed by Sambo's.

A converted Sambo's test restaurant was slated to open at presstime in nearby Santa Barbara to unveil a new format. Other conversions would hinge on the success of this one and on Bankruptcy Court reorganization approval.

"Sambo's has valuable properties which can prosper under a different name and format," said a source close to the company. "This is why a new name and image are essential."

A Sambo's spokesman would confirm only that new chairman and ceo Robert Luckey and new president and chief operating officer Roger Kisiel have been traveling to virtually all 668 remaining Sambo's restaurants over the past two months to evaluate the situation. They are studying a number of options, he said.

Luckey and Kisiel were unavailable for comment and indicated they might discuss future plans in a few months when a final decision is reached.

Sambo's filed Chapter XI reorganization bankruptcy proceedings last Nov. 27 after closing 450 restaurants and defaulting on over $100 million principal and interest payments that lenders demanded.

Under the upgrading option that is likely to be adopted, Sambo's would take itself somewhat out of the competitive battle that it has been losing severely with Denny's, Big Boys and others and put itself into a new market niche that is also being eyed by a number of other chains.

A total menu change is projected with fresh barbecued chicken, fresh baked goods and "fresh everything else" at each restaurant, the source said. "They'll probably have to alter the equipment, using their existing convection ovens and ranges as a base," he said.

Luckey is said to be convinced that Sambo's future rests on its ability to start serving "good food in a clean atmosphere." Major remodelings and attention to sanitation conditions are likely.

Luckey is also said to feel that closing 450 restaurants so abruptly was a mistake, giving Sambo's a "terrible image" in too many geographic areas.

The idea of completely changing the name would be to initiate a new image in the customer's mind. There was no indication of what the new name would be, but it is not likely to be either No Place Like Sam's (used for the Eastern Sambo's) or Jolly Tiger (used for a handful of units).

PepsiCo buys Taco Charley sites

By Joe Edwards

PURCHASE, N.Y.—PepsiCo Inc. plans to purchase 46 Taco Charley sites in three western states and convert them into Taco Bell units.

Under terms of the agreement in principle to acquire the restaurants, PepsiCo would issue $1.1 million worth of its capital stock in exchange for 700,000 shares of Taco Charley stock. PepsiCo would also assume Taco Charley's liabilities, which include $3.1 million in long- and short-term debt as of Feb. 27, according to an unaudited financial statement.

Most of the Taco Charley sites are in northern California; several are in Arizona and Nevada. In a separate agreement, Calny Food Services based in San Mateo, Calif., a major Taco Bell franchisee with 46 units, would buy the equipment and franchise rights for at least 11 of the acquired restaurant sites.

Calny would pay PepsiCo $2.1 million.

PepsiCo would convert the others and operate them as company-owned restaurants. Through its food-service segment, PepsiCo owns, operates and franchises about 1,400 Taco Bell units.

Both the acquisition of the Taco Charley sites by PepsiCo and the sale of 11 of those units to Calny are subject to the execution of definitive agreements, approval of the board of directors of each company and the approval of Taco Charley shareholders. The value of the transaction to Taco Charley shareholders is $1 5/8 per share.

Taco Charley was founded in 1975 by Calny Food Services but was spun off by Calny as an independent operation when the Securities and Exchange Commission last Sept. 30 approved a Taco Charley stock distribution to Calny shareholders. Until that time, Taco Charley was a wholly owned Calny subsidiary.

Calny had been a Taco Bell franchisee since 1969 and now operates 46 of those restaurants in addition to its other holdings. When Taco Bell began de-emphasizing its franchising program in 1972, Calny began a diversification program by acquiring 22 buffet-style restaurants operating as Perry's Smorgy Boys and Okie Frijole. Those restaurants were converted to Taco Charley units.

Taco Bell's standard franchise agreement prohibits franchisees from owning or operating other Mexican fast-food restaurants. In 1974, however, Taco Bell and Calny amended the franchise agreements to allow Calny to operate other Mexican fast-food units, providing they were no closer than one mile to Taco Bell restaurants opened after July 15, 1974.

Operating income for PepsiCo's food-service segment, including Taco Bell and Pizza Hut, rose 28% on a sales increase of 13% for the first quarter ended March 20.

Taco Charley lost a little more than $1 million on sales of $11 million in the fiscal year ended Feb. 28, 1981, the last period for which figures are available.

Calny Food Services reported net income of $610,175 on sales of $19.6 million for the 24 weeks ended last Aug. 15.

Friendly expanding, remodeling units

WILBRAHAM, Mass.—Friendly Ice Cream, with some 625 restaurants, has slowed its growth pace slightly while focusing on remodelings of existing restaurants. This is aimed at producing maximum volumes at each restaurant.

A headline on this page April 26 incorrectly indicated that Friendly is halting growth under its new chief executive officer, James Staggs.

COMMODITIES

Meat prices subject to consumers' whims

NRN Special Report

Both red meat and poultry prices have increased as a result of producers sending fewer cattle and hogs to market in the past two months. Although prices to the operator (and consumer) for meat and poultry have remained higher than average over the past four years, the prices received by the meat and poultry raisers have been eroded by high costs of energy and feed. As a result the producers have cut back on their stocks of animals on feed.

Omaha Steaks International recently sent a memo on price increases to its customers. Conclusions: "Looking into the short term . . . we believe that supplies will remain low on poultry and meat until late fall of 1982. Prices will flatten out in June and July and then take off from August to Dec. 31, 1982. Based upon the information we have now [from our economist], beef prices should move significantly higher from current levels in the next three to six months."

The only alteration in this prediction—which follows that of the U.S. Department of Agriculture and other agricultural economists—is the effect of high prices upon the consumer, for the housewife is the ultimate influence upon both the retail and food-service meat prices. If the consumer perceives meat as "too expensive," she will trade down (to poultry or pasta), and this will result in meat backing up in the supply pipeline. Distributors will lower prices, consumption will pick up again, then prices will bounce back up to the former levels. This will continue until some basic change occurs in either supply or demand on a longer term basis. We call it the "yo-yo" effect on prices.

PRICES AT A GLANCE

	April 30 1981	March 30 1982	April 30 1982
Beans, Green, frozen, regular cut (lb.)	$ 0.42	$ 0.47	$ 0.50
Beans, Pinto, dry, Colorado (cwt.)	$36.00-36.50	$15.00	$15.50-16.50
Beef, Choice, 700-900 lb. Midwest (lb.)	$ 1.05	$ 1.04	$ 1.11
Broilers, Icepack, Grade A, NYC (lb.)	$ 0.4379	$ 0.4690	$ 0.4753
Eggs, Grade A large, white, Chicago (doz.)	$ 0.5975	$ 0.7150-0.7200	$ 0.6350-0.6400
Lettuce, Iceberg, Calif., (carton of 24s)	$ 4.00-6.00	$18.00-20.00	$ 4.00-5.00

Source: *NRN* Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Chock Full o'Nuts fights takeover

NEW YORK—In an effort to thwart a hostile takeover attempt, Chock Full o'Nuts, a 35-unit coffee shop chain, was seeking a friendly suitor at presstime.

Leon Pordy, president of the company which gets 80% of its revenues from its coffee processing and distribution business, said his company would consider being acquired by another company or seek its own acquisitions.

The boardroom battle surfaced when Jerry Finkelstein, a New York political figure, bared 6% ownership of the company and asked for representation on the board and a meeting with management.

The takeover attempt centers over prime, undervalued Manhattan real estate. Though the company has suffered some financial setbacks recently, it is cash-rich, according to Pordy, and Finkelstein is said to covet many of the restaurant locations which enjoy leases negotiated years ago at now-exceptional rates.

New York rents have risen in recent years to as high as $60 per square foot, forcing several local food-service companies, which own buildings or hold long-term leases, to flee the restaurant business for a real estate bonanza.

William M. Black, the 79-year-old founder and chairman of Chock Full o'Nuts, who owns 17% of the company with his wife, is leading the takeover defense.

They hired Lazard Frères, a Wall Street investment house, and lawyers Fried, Frank, Harris, Shriver & Jacobson for strategy-making.

Finkelstein owns a heat-transfer equipment manufacturing business and the company which publishes the New York Law Journal and National Law Journal. One son, James, works in the publishing business and is involved in the takeover. Another son, Andrew Stein, who changed his name, is Manhattan borough president and is not apparently involved in the takeover.

Black founded the company in 1926 as a shelled-nuts stand. The coffee is sold locally in supermarkets and to food-service outlets.

HIGHLIGHTS IN THIS ISSUE

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25 Upscale burger restaurants are cropping up throughout the country.

26 A knowledgeable wine steward/waiter may be a tremendous help in lifting restaurant wine sales says *NRN* Wine and Spirits columnist Mort Hochstein.

28 Wine and food lovers flocked to Washington, D.C., last month for the annual International Wine and Food Exposition.

43 Advertising on TV, an area several food-service operators are wrestling with, is clarified by marketing expert Barry Klein in this issue's Marketing Memo #6.

99 220 persons consumed great wines from California and feasted on food to match at New York's Four Seasons' seventh annual California Vintners Barrel Tasting.

100 New York State wines were featured at the third annual barrel tasting at Pierce's 1894 Restaurant, where 120 industry leaders, friends and writers gathered in Elmira Heights, N.Y.

120 Howard Johnson's is experimenting with an upscale restaurant.

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FINANCIAL NEWS

Ponderosa's net profits surge 234% for fiscal 1982

DAYTON, Ohio—Ponderosa System, the 691-unit budget steakhouse chain, reported net profit rose 234% to $8.45 million for the year ended Feb. 25 compared with the previous year.

Sales rose 8% to $360.4 million for the same period.

The strong performance came at a time of economic decline in many of the company's markets in the industrial Midwest and "unusually severe winter weather," the company's chief executive officer Gerald S. Office Jr. said.

He added that the company operated profitably in the fourth quarter during November, December and February, but lost money during January when heavy storms swept the Midwest.

For the fourth quarter the company posted a net profit of $1.3 million, compared to the loss of $1.1 million during the same period of the previous year.

Sales dropped 0.3% during the quarter to $101.7 million.

Office attributed the performance to "strong operations, effective marketing and strengthened cost controls" as well as alert financial managers who took advantage of recently enacted Federal tax legislation.

Ponderosa's steakhouses experienced real growth during the last fiscal year, increasing customer counts 6.6% over the previous year. The restaurants' food costs dropped from 43.4% to 41.7%, a reflection both of lower beef prices and the company's menu diversification program. The cost of running the restaurants declined from 46.9% to 45.4% of food sales, while the company's general and administrative expenses at the corporate level decreased.

The company's debt-to-equity ratio dropped from 1.45 to 1.19 over the fiscal year.

The company also benefited from the performance of ESI Meats, its wholly owned subsidiary for meat processing and distribution. Heartened by an increase in sales of meat products to third parties over the fiscal year, Ponderosa plans to invest in the expansion of this market.

The company hopes to quadruple ESI's third party sales during the next three to five years. It recently closed a relatively inefficient plant in Florida, consolidating operations in its new facilities in Bristol, Ind.

Heublein, General Cinema still locked in stock battle

BOSTON—The bidding war between Heublein Inc., parent company of Kentucky Fried Chicken Corp., and General Cinema Corp. is continuing. General Cinema now says it owns 14.3% of Heublein common stock, or 3.1 million shares.

General Cinema said it had borrowed $160 million under a 1981 credit agreement to finance the Heublein stock purchases. In a filing with the Securities and Exchange Commission, General Cinema said it had purchased 325,400 shares of Heublein between April 16 and April 22.

The company started purchasing Heublein stock in February. Heublein in turn has been purchasing General Cinema Corp. stock and now owns 3.5% of outstanding shares. Heublein vowed it would fight any attempt for a takeover by General Cinema.

Food-service chain stock analysis table

Name	Symbol	STOCK PRICE: Two Weeks Ended May 7 High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET: Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE: Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt	Change Pct	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS: Indicated Dvd Rate Amt	Yield	Last X-Dvd Date	FINANCIAL POSITION: Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
		$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil	$ Mil	—	$	$	—
Aca Los A Res	ALAR	6.13	4.75	5.88	1.13	23.68	10.63	3.50	1.00	-.94	3.93	10.42	.47	-.21 Q	-50.0	6.0	4.3	28.0	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	18.38	17.00	17.50	.38	2.19	21.88	10.00	-.25	-.87	-2.88	-9.73	1.66	.36 S	24.8	34.0	6.3	9.7	.22	1.3	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	27.13	25.38	27.00	1.38	5.37	36.00	23.50	-.15	.10	3.75	43.04	4.00	-1.35 Q	-26.2	-1.0	1.5	7.1	2.00	7.4	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	6.50	6.38	6.38	-.13	-1.92	8.63	4.88	.03	-.93	-4.72	-24.22	.66	.13 S	22.0	-8.0	2.6	8.9	.12	1.9	03-02-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	6.50	6.00	6.38	.88	15.91	6.50	2.88	1.19	-.69	.33	-10.72	.62	.16 Q	32.6	32.0	2.4	9.8	.00	.0	00-00-00	86.2	2.1	1.2	1.2	3	1081
Bob Evans Farms	BOBE	26.75	25.00	25.25	-1.75	-6.48	27.00	17.75	.06	-1.26	-1.37	-9.29	1.40	.19 N	13.5	26.0	8.0	15.9	.40	1.6	05-10-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1.63	1.38	1.63	.06	4.00	6.88	1.06	-.05	-.22	2.80	45.52	-3.33	-3.32 Q	NC	-67.0	-61.8	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	17.50	14.25	17.25	2.38	15.97	17.50	9.88	.48	2.82	-.56	-4.12	.59	.33 Q	103.1	24.0	4.3	26.5	.10	.6	03-08-82	165.1	7.1	1.2	11.0	4	1281
Cainy Food	CLNY	8.50	8.00	8.25	.00	.00	10.34	7.16	.11	-.84	.42	-8.33	.90	-.19 N	-16.6	7.0	2.2	8.7	.20	2.4	04-29-82	41.7	.9	.4	9.6	4	0281
Carrols Develop	CRL	6.38	5.38	6.00	.38	6.67	7.63	3.97	.58	.00	4.17	-64.53	.86	.72 N	163.6	35.0	2.4	5.2	.09	1.5	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	22.25	21.25	21.50	-.63	-2.82	22.88	15.25	.29	-.28	-3.09	-12.61	2.03	.27 Q	15.2	14.0	5.0	10.5	.60	2.8	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	26.25	23.88	25.00	1.63	6.95	27.25	15.13	.53	-.79	-.17	-14.06	.46	.33 N	94.2	35.0	14.1	36.8	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	14.38	13.25	13.88	.13	.91	14.38	8.63	.80	.17	.90	-22.69	.66	-.36 S	-42.8	24.0	2.7	28.9	.40	2.9	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	33.50	32.25	32.25	-1.00	-3.01	37.38	25.00	.23	-.85	-2.08	-2.91	3.52	.34 Q	10.8	18.0	10.8	9.3	1.00	3.1	04-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3.13	2.88	2.88	-.25	-8.00	3.63	2.50	-.21	-1.81	-.59	36.83	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	16.25	15.13	16.00	1.00	6.67	16.25	10.31	.47	-.35	1.50	-3.27	1.56	.63 N	41.4	13.0	2.8	7.4	.24	1.5	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7.50	7.00	7.00	-.13	-1.75	10.13	5.25	.32	-2.12	-.08	-1.63	-.08	.12 S	NC	NE	-1.5	58.3	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	10.75	9.00	10.75	1.75	19.44	10.75	7.25	.54	.12	5.52	-26.40	1.00	1.01 S	NC	21.0	3.2	10.6	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	26.75	24.50	25.25	.75	3.06	26.75	14.75	.34	-1.15	-2.81	3.70	1.97	.77 N	49.6	6.0	3.2	10.9	.64	2.5	06-04-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	16.50	15.88	16.50	.25	1.54	18.25	11.13	-.02	.49	-6.70	-22.37	1.82	.28 Q	17.3	19.0	8.3	8.7	.30	1.8	02-05-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	10.50	9.88	10.00	-.13	-1.23	10.50	5.78	.66	-.55	-.84	23.40	1.39	.70 S	63.0	14.0	3.0	5.5	.30	3.0	03-30-82	97.0	2.9	1.2	7.2	13	0581
Hamburg Hamlet	HAMB	5.00	5.00	5.00	.00	.00	8.25	5.00	-.80	-.46	.87	.00	.27	-.15 S	-19.7	-24.0	.7	8.2	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	2.88	2.38	2.50	-.38	-13.04	6.75	2.25	-1.00	-.66	-.04	-60.00	-2.22	-3.88 S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	39.63	37.13	38.25	.63	1.66	52.25	32.00	.00	-1.25	-2.20	2.93	4.22	-.04 Q	-.9	25.0	20.9	9.6	1.80	4.7	03-01-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	29.75	26.13	29.00	2.75	10.48	33.25	21.88	.07	-.32	.91	7.10	3.66	1.12 Q	42.4	26.0	7.8	7.7	.80	2.8	03-15-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	43.00	40.50	43.00	3.75	9.55	48.75	33.00	.14	-.57	-5.04	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17.25	15.88	16.75	-.50	-2.90	17.38	7.28	.54	.34	-5.56	7.40	.87	.09 N	10.0	42.0	3.1	16.9	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Hungry Tiger	HTIG	8.75	7.25	8.25	1.00	13.79	9.38	6.00	.53	2.51	-3.95	-3.32	.92	.14 S	16.6	42.0	3.2	8.4	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.81	1.69	1.69	.06	3.85	1.81	1.06	.05	-2.29	-2.80	-30.77	.62	-.15 S	-21.1	28.0	2.1	3.0	.14	8.3	02-24-82	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.50	11.25	11.50	.00	.00	13.25	9.25	.16	-.57	-5.31	8.33	1.72	.23 Q	15.7	38.0	6.1	6.8	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3.13	2.63	3.13	.13	4.17	3.38	1.75	1.21	4.19	.76	30.89	-.65	.19 S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	7.13	6.25	6.88	.63	10.00	7.13	2.88	1.23	-1.61	-2.11	-56.57	.63	.31 S	75.6	-1.0	3.0	9.5	.16	2.3	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	21.00	19.00	19.00	-2.00	-9.52	27.63	15.63	-.29	-1.71	-5.39	13.33	1.70	.27 N	17.1	22.0	5.6	10.3	.12	.6	02-01-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.00	3.63	4.00	.38	10.34	4.38	3.38	-.02	1.46	1.36	42.86	-.24	-.45 Q	-321.4	-32.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	19.00	18.00	19.00	1.50	8.57	19.00	10.75	.39	-.59	-2.68	-6.00	.58	.77 N	NC	132.0	5.9	24.7	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafe	LUB	30.38	29.00	30.38	1.50	5.19	30.38	23.19	.40	-.03	-.26	-35.64	1.45	.25 S	18.9	23.0	9.1	19.3	.48	1.6	06-07-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	5.75	5.50	5.75	.38	6.98	7.28	5.00	-.15	-.12	-.59	57.35	1.15	.04 N	3.5	7.0	5.8	5.0	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	40.25	37.50	39.50	1.38	3.61	47.00	31.63	-.07	.30	-1.00	11.62	3.20	.55 Q	20.0	31.0	4.3	12.0	.30	.8	03-22-82	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	69.13	66.25	67.00	-1.13	-1.65	72.88	56.75	-.18	-.72	-2.28	15.77	6.54	1.01 Q	17.6	18.0	10.5	10.0	1.00	1.5	02-05-82	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	12.00	11.25	11.50	-.25	-2.13	12.00	8.13	.55	-.20	-.19	-.95	.95	.15 N	16.6	7.0	3.9	11.0	.36	3.1	04-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	3.38	2.75	3.13	.38	13.64	4.13	2.13	.73	-2.65	8.02	-47.56	.22	.10 Q	76.9	-26.0	.5	13.6	.02	.6	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.00	1.00	1.00	.00	.00	1.88	.63	-.19	-.66	3.48	-23.53	-.87	-.42 N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.00	9.25	.25	2.78	12.00	9.00	-.22	-.53	-1.48	.00	1.74	.04 Q	2.5	13.0	1.3	5.7	.32	3.5	12-10-81	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	9.00	8.25	8.25	-.75	-8.33	11.38	6.88	.04	-1.75	-6.24	-18.40	1.01	.12 S	13.4	25.0	5.4	8.2	.20	2.4	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	18.13	17.75	17.75	.00	.00	19.00	13.50	.23	-1.05	-.76	-25.88	1.30	.14 N	10.7	15.0	6.1	12.3	.48	2.7	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	6.38	5.88	6.13	.13	2.08	11.50	4.75	.58	-.70	-2.91	-9.88	.50	-.08 F	-13.7	-5.0	1.0	12.3	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	32.00	28.00	32.00	4.50	16.36	32.00	18.00	.73	.07	.83	-17.87	.58	.54 F	350.0	81.0	7.2	55.2	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	17.00	14.75	16.50	1.50	10.00	19.75	11.75	.31	.59	4.22	21.10	2.01	1.42 F	240.6	8.0	2.4	8.2	.40	2.4	06-11-82	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	5.88	5.38	5.50	.00	.00	12.50	5.00	-.52	-.47	-1.16	-33.30	-.84	-1.43 F	-242.3	-25.0	-5.5	NE	.12	2.2	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.50	4.88	5.00	-.13	-2.44	8.25	4.00	.39	-.73	5.19	-8.74	.97	-.14 Q	-15.3	51.0	2.4	6.5	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	29.25	26.38	28.00	1.50	5.66	29.25	16.00	.48	-1.02	-4.19	-8.57	2.36	1.07 N	49.7	18.0	1.4	8.7	.56	2.0	05-17-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	10.00	9.63	10.00	.50	5.26	17.88	6.88	.12	.07	2.41	36.55	.68	.08 Q	13.5	55.0	4.5	14.9	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	10.00	9.50	10.00	.50	5.26	13.00	7.00	-.04	.67	-1.42	-35.96	1.69	.59 F	53.6	21.0	3.5	5.9	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	17.38	16.63	17.38	.75	4.51	17.38	11.91	.32	.45	-.03	-11.03	1.03	.24 Q	27.2	21.0	5.5	15.5	.16	.9	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	10.50	10.50	10.50	.00	.00	13.66	9.25	-.19	-.57	-.67	-97.44	.94	-1.30 F	-58.0	64.0	1.4	11.2	.20	1.9	12-28-81	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.75	2.50	2.50	-.25	-9.09	3.13	2.31	-.48	-1.44	4.91	-45.11	.06	-.23 S	-79.3	-34.0	.5	41.7	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	5.63	5.13	5.50	.38	7.32	7.13	4.25	.12	.79	-2.92	-50.81	-.22	.18 S	NE	-23.0	-.9	137.5	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	10.38	9.88	10.38	.38	3.75	11.25	6.25	-.38	.66	-7.27	-12.37	-1.85	2.11 N	NE	-32.0	-4.3	86.5	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	9.75	9.38	9.75	.00	.00	9.75	6.38	.20	-.03	-2.45	-37.83	.67	.72 Q	200.0	4.0	2.1	12.5	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281
Wendys Intl	WEN	18.00	15.75	16.13	-1.75	-9.79	19.25	12.25	.21	-2.04	1.82	-8.36	1.52	.18 F	13.4	29.0	7.5	10.6	.28	1.7	02-22-82	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.88	7.00	7.38	-.38	-4.84	13.00	4.88	-.53	1.03	-5.39	-.24	.56	.14 F	33.3	-13.0	1.3	13.2	.00	0	11-07-80	414.8	5.3	1.1	16.1	13	1281

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

KEY: NA Not Applicable NC Not Calculable NE Negative Earnings Q First Quarter S-Six months N-Nine months F-Fiscal year
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Holiday Inns' net falls 11.1% in 1st qtr.

MEMPHIS—Holiday Inns Inc. has reported an 11.1% drop in net income to $24.6 million on a 13.6% revenues increase to $332.5 million for the first quarter ended April 2 compared to the same period a year earlier.

Perkins Inc., the company's restaurant subsidiary, reported customer count increases despite the severe winter weather in the upper Midwest, where most Perkins family restaurants are located, a company spokesman said.

A decision to hold menu prices stable and the costs of other programs designed to improve customer counts led to a decline in margins, he added. Holiday Inns does not break out financial information for its subsidiaries.

Holiday Inns, in releasing its first quarter results, disclosed plans to sell its Delta Steamship Lines Inc. subsidiary, enabling the company to concentrate on businesses related to the hospitality industry. Holiday Inns is the world's largest hotel chain and also operates gambling casinos and restaurants.

Because of the intended sale, Delta's results were reported as discontinued operations. First quarter income from continuing operations increased 48.6% to $20.8 million. The company said the gains came primarily from the "excellent results" achieved by the gaming group, specifically Harrah's Marina hotel-casino in Atlantic City, N.J.

The hotel group reported lower occupancy rates due to economic conditions and a slowing of room-rate increases during the quarter.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Associated Hosts	6 mos.	3/27			$ 40.400	2	$ 1.200	9
	3 mos.	3/27			20.400	– 1	0.653	– 17
Bonanza Int'l	3 mos.	3/31			5.905	– 11	0.015	—
Carl Karcher Ents.	1 yr.	1/29	$200.626	17			6.944	40
	12 wks.	1/29	47.220	7			2.279	97
Wendy's	3 mos.	3/31	365.000	17			8.000	16
Holiday Inns	13 wks.	4/2			332.539	13	24.630	– 11
Horn & Hardart	3 mos.	3/31	47.690	31			0.906	– 19
Jerrico Inc.	9 mos.	3/31	314.969	14			15.742	14
	3 mos.	3/31	102.585	12			4.062	– 4
Judy's Inc.	1 yr.	1/31			49.571	18	0.725	– 46
	3 mos.	1/31			12.839	– 3	(0.320)	—
McDonald's Corp.	3 mos.	3/31			616.737	10	58.583	13
Ogden Corp.	3 mos.	3/31	583.852	6			16.132	– 3
Restaurant Assoc.	3 mos.	3/27			24.706	3	0.379	– 66

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

McD reports 14% climb in first quarter profits

OAK BROOK, Ill.—McDonald's has reported a 14% net income rise to $58.5 million on a 10% revenues increase to $616.7 million for the first quarter of 1982, ended March 31. Systemwide sales for the quarter increased 8% to $1.7 billion compared to the same period a year earlier.

Sales patterns were "encouraging" in United States and foreign restaurants in light of severe winter weather in this country and uncertain economic conditions worldwide, Fred L. Turner, McDonald's chairman, said.

Turner also said results of McDonald's three major test products were "very encouraging." Chicken McNuggets are now available in 3,400 units, McRib sandwiches in 2,000 units and McChicken sandwiches in 4,200 units.

During the quarter, McDonald's opened 59 new restaurants, most overseas. As of March 31, there were 6,798 McDonald's restaurants operating in the United States and 29 foreign countries.

Sales in McDonald's international division reached $333.4 million in the first quarter, compared to $310.8 million in the same period a year earlier. McDonald's operates 1,207 restaurants in foreign countries, including 391 in Canada.

Funds generated from operations totaled $107 million in the quarter, allowing McDonald's to strengthen its financial resources and lessen its dependence on outside financing, Turner said.

Jerrico profits slip 2% in 3rd quarter

LEXINGTON, Ky.—Jerrico Inc., operator of Long John Silver Seafood Shoppes, said net income for the third quarter, ended March 31, dropped 2% to $4.1 million from the $4.2 million reported for the same quarter of the prior year.

Revenues for the quarter increased 12%, to $102.6 million.

For the nine months ended March 31, net income rose 14%, to $15.7 million, on revenues that increased 14%, to $315 million.

Bad Weather Cited

The company said bad winter weather and the severity of the recession were to blame for the dip in both earnings and average unit sales during the third quarter. Company-operated Long John Silver's fast seafood restaurants had average sales of $107,000 for the quarter, compared to $107,500 for the same quarter last year. Average pretax earnings were $17,800 vs. $20,000 for the prior year.

For the nine months ended March 31, company-operated restaurants had average sales of $339,600, an increase of 2% over the comparable period of the prior year. Average pretax earnings for the nine months remained unchanged

KFC third quarter sales rise

FARMINGTON, Conn.—Sales by company-owned Kentucky Fried Chicken restaurants in the United States rose 7% in the third quarter ended March 31, while overseas KFC units reported sales increases of 5%, according to Heublein Inc.

Heublein, KFC Corp.'s parent company, does not break out figures for its individual operations. Heublein's net income rose 17% to $20.9 million on a 2% jump in revenues to $493.2 million in the quarter.

Druther's loss clarified

Druther's Inc., a regional fast-food chain based in Louisville, lost $1.1 million in the fiscal year ended March 31, 1981. A May 10, 1982, article in *Nation's Restaurant News* inadvertently implied the loss was suffered in fiscal 1982.

Franchisors' outlook tempered by economy

WASHINGTON—Representatives from the nation's fast-food franchisors handed Reaganomics a vote of "no confidence" during the International Franchise Association's annual Legal Symposium earlier this month.

In response to a "straw poll" by IFA Public Affairs director Jerry Wilkerson, most of the nearly 400 franchise chain attorneys and corporate execs assembled for the association's 15th annual legal symposium expressed confidence in their own companies' prospects for profit improvement over the next 12 months.

But at the same time, the franchise industry leaders voiced near-unanimous consensus that neither interest rates nor unemployment will decline during the coming year. In addition, the overwhelming majority of the fast feeders and other franchise segments represented at the meeting predicted that the Federal budget deficit would rise even higher in 1983.

Wilkerson's appraisal of the economic climate was equally bleak.

"Bankruptcies are at the highest level since 1933. The recession is deeper than anyone had predicted," most of the key economic indicators continue to point downward, and the Reagan Administration's economic remedies have not yet begun to work, he told the group.

Although this summer's scheduled tax cut could spark a recovery, that economic upturn will be short-lived if interest rates are not brought under control, Wilkerson predicted.

The best news to surface at the meeting—IFA's announcement that the Senate had voted to declare May 4 "International Franchise Day"—also turned sour when President Reagan declined to sign the association's resolution.

According to one IFA official, key White House aides urged the President to reject the Senate-passed Franchise Day proclamation because it had not attracted the 220 House sponsors to clear that chamber.

In contrast, IFA Washington lawyers Lewis Rudnick and Philip Zeidman painted a more optimistic picture of judicial trends affecting franchisors, noting that Federal and state courts are beginning to recognize basic differences between franchising and other types of business relationships.

Specifically, Zeidman said, the courts have begun to take "a more reasonable approach" toward franchisor "tying" arrangements, dual distribution policies and other practices common among fast-food chains.

Although it would be "imprudent" for franchisors to assume that all "the bars are down" governing these practices, he maintained that judges have become "increasingly more sophisticated in their willingness to regard franchising" as a special relationship which should be subject to special legal ground rules.

Similarly, IFA General Counsel Carl Zwisler III expressed optimism concerning the direction of regulatory and legislative developments affecting franchisors.

Noting the recent budget and personnel cuts at the Federal commission, Zwisler predicted that FTC efforts to enforce the agency's controversial franchise disclosure rule "are likely to be diminished in the foreseeable future."

Although "no attempts are currently under way to repeal or amend the franchising rule," the IFA staff legal chief told the group that FTC's "Bureau of Economics is submitting the rule to cost-benefit analysis."

While it may be some time before the results of this analysis and an outside "pilot study" of the disclosure requirements are available, Zwisler said, "one can sense that there is some skepticism about the rule . . . at least among some of the economists at the commission."

On the legislative front, most of IFA's attention so far this year has been focused on the state scene where "the barrage of franchise legislation" continues at what State Government Affairs director Marc Aprea described as a "frenzied pace."

Aprea, who was called away from the symposium in order to lobby against pending California franchise legislation, submitted a written report to the group noting that "the IFA staff is deeply involved in legislative efforts on 30 bills in 19 states."

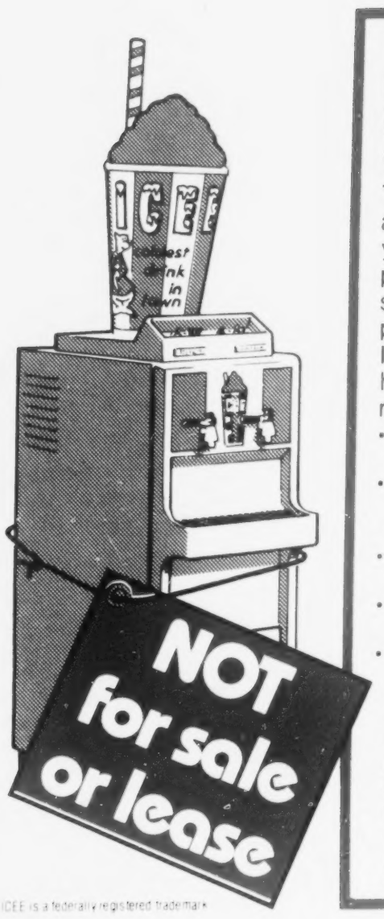
"To date, this type of legislation has been most heatedly fought in Maryland" where a "Mikva-type" franchise termination bill cleared the Senate but fell two votes short of House passage on the final day of this year's session, he said.

But similar proposals have also been introduced already this year in California, Illinois, Kansas, Massachusetts, Michigan, New York and the District of Columbia, and other franchise termination measures are likely to surface.

"The recurring nature of bills dealing with termination, nonrenewal and transfer continue to plague franchisors in the state legislatures," he said. "They just keep coming back over and over again with different sponsors, different members, different players—but pretty much the same hash."

'Bankruptcies are at the highest level since 1933; the recession is deeper than anyone had predicted.'

—Jerry Wilkerson, IFA public affairs director



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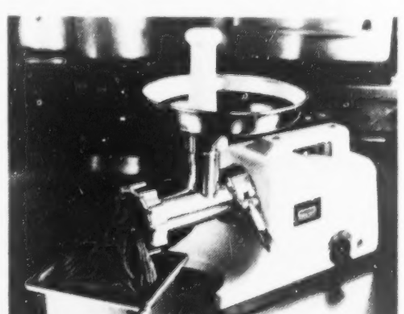

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American beer consumption hits record high; imports on the rise

NEW YORK—The American thirst for beer continues to grow. In 1981 the average American man, woman and child each quaffed almost 22 6-packs.

More precisely, per person beer consumption in the United States rose 1.2% to 24.6 gal., according to Impact Databank, a liquor industry consulting organization.

According to the company's 1982 Beer Market Review and Forecast last year's United States beer shipments totaled 181.9 million barrels, a 2.2% increase over the previous year.

Impact reaffirmed an earlier prediction that this country's beer market will continue to grow at about 2% each year until 1985. Thereafter, says Impact, a slowdown of population growth in adults will be reflected in slight growth for beer consumption by Americans.

Biggest change in Americans' beer chugging habits in recent years, according to Impact, is a growing preference for imported brands.

Market share for imports hit 2.9% last year, with 5.2 million barrels shipped. In 1975 imported beers had only a 1.7% market share, and in 1960, a 0.4% share.

Actually, noted the beer market review, imported's growth could be slowing. In 1981 it was up 14.3% vs. a growth rate of 22.1% for the past five years.

SHARE OF MARKET

MALT BEVERAGE IMPORTS BY COUNTRY OF ORIGIN*

Country	1960	1965	1970	1975	1980	1981
Netherlands	20.9%	18.7%	27.0%	38.0%	39.2%	40.3%
Canada	28.9	20.5	15.1	24.5	33.5	32.0
Germany	33.9	35.9	34.6	16.4	10.5	11.3
Mexico	2.0	2.4	3.2	6.6	7.2	6.7
Britain	1.4	1.7	3.7	4.0	2.2	2.0
Ireland	2.3	2.2	2.3	1.2	1.4	1.4
Australia	0.1	0.2	0.1	2.4	1.5	1.2
France	0.1	0.1	0.2	0.1	0.7	1.0
Japan	1.0	1.2	1.2	1.2	0.9	1.0
Philippines	1.0	2.5	2.3	1.2	0.5	0.7
China (People's Republic)	—	—	—	**	0.3	0.5
Denmark	6.1	5.9	4.4	1.2	0.6	0.4
Norway	1.1	7.5	4.5	1.6	0.4	0.3
Other	1.1	1.3	1.5	1.5	1.3	1.4

Source: *National Association of Beverage Importers and Impact Wine & Spirits Newsletter, New York, N.Y. Used by permission.*

*Columns may not add up to 100% due to rounding
**Less than 0.5%

From the Netherlands comes 40% of all beer imported into the United States. Dutch shipments to America were up 17.5% last year to 65.2 million gal.

The second-biggest spiggot was the Canadian one. Canadian beers posted a 9.2% gain in volume shipped to the United States last year with 51.9 million gal.

German beers, which in 1970 had a 34.6% share of the United States imported beer segment, had an 11.3% share in 1981.

BEER CONSUMPTION BY ORIGIN

(millions of barrels*)

	1960	1965	1970	1975	1980	1981	Average Annual Compound Growth Rate** 1960-70	1970-75	1975-80	Per cent Change 1980-81
Domestic	87.9	100.4	121.9	148.6	173.3	176.7	3.3%	4.0%	3.1%	2.0%
Imported	0.4	0.6	0.9	1.7	4.6	5.2	8.3	13.5	22.1	14.3
Total	88.3	101.0	122.8	150.3	177.9	181.9	3.3	4.1	3.4	2.2

SHARE OF MARKET TREND

	1960	1965	1970	1975	1980	1981
Domestic	99.6%	99.4%	99.3%	98.9%	97.4%	97.1%
Imported	0.4	0.6	0.7	1.1	2.6	2.9

Source: *Impact Wine & Spirits Newsletter, New York, N.Y. Used by permission*

*One Barrel = 31 gal.
**Based on unrounded data

NJRA menu contest

8 Jersey restaurants honored

SECAUCUS, N.J.—Eight restaurants were honored for outstanding and innovative menus in a champagne brunch awards ceremony at the Aratusa Supper Club here sponsored by the New Jersey Restaurant Association. Significantly, three hotel restaurants were among the winners.

The winners in each category, selected from among 70 entries in the NJRA's second annual menu contest, were the Brass Penny restaurant, Gladstone, N.J., Kingsley's restaurant in the Meadowlands Hilton Hotel, Secaucus, and Les Paris in the Tropicana Hotel, Atlantic City, atmosphere table service restaurants; Bamberger's department store coffee shop in Newark, coffee shops/family restaurants; Caesars Boardwalk Regency Hotel, Atlantic City, special occasions; Caughey's Gourmet Seafood restaurant, East Rutherford, children's menu; The Hideaway, Cherry Hill, promotional materials, and St. Peters Medical Center, New Brunswick, institutional feeding.

The awards were given just before the NJRA's annual Foodservice Exposition April 26-28 at the new Byrne Meadowlands Area, East Rutherford, where all menu entries were displayed.

Criteria for the menu awards, based strictly on the menu itself rather than on the food items mentioned or depicted, were overall appearance, sales appeal, readability, originality and menu "taste appeal."

The judges were Charles Bernstein, editor of *Nation's Restaurant News*; Peter Berlinski, executive editor of *Restaurant Business*; Bob Lape, a television personality and WABC-TV's former "Eyewitness Gourmet," and Richard Ashton, art director of Whitman Studios, a design firm.

Nancy Kelly, NJRA executive vice president and staff chief, and Anthony Caselnova, NJRA convention chairman and former NJRA president, supervised the arrangements.

Judging was carried out at the European restaurant, Lyndhurst, owned by Daniel Radochia and Ed Madsen.

Bull question; Is it live or is it mechanical?

GARFIELD, N.J.—The city attorney is pondering whether a tavern's mechanical bull violates a "no live entertainment" agreement reached last fall by the city and the owners of Copperhead Saloon during a liquor license transfer.

Some city officials think the mechanical bull is a potential threat to personal and public safety and does not belong in a neighborhood tavern.

Tavern manager Dennis Lester has called the bull "a harmless amusement."

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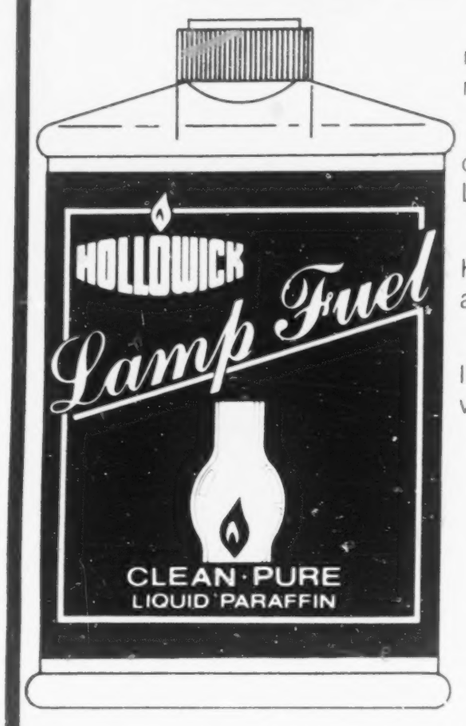

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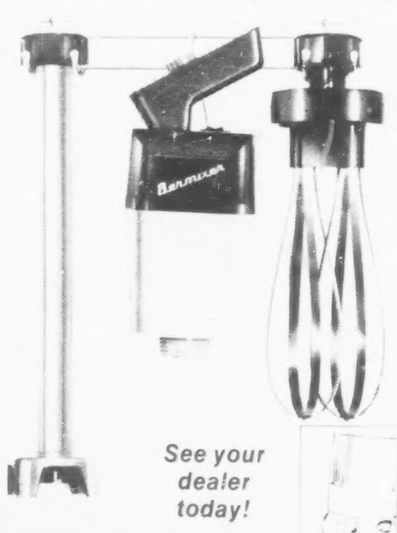

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GUEST COLUMN

Regrettable dining experiences

The following article on unpleasant dining experiences while flying first class or in a restaurant originally appeared in the ***Frequent Flyer*** *magazine. It was written by Martin B. Deutsch, editor and publisher.*

Let me bid you a warm welcome to the Frequent Flyer Fantasy Farm. This new institution, the FFFF (or 4F to those of us who remember the draft), will be heard from sporadically—whenever the undersigned wants to vent steam. Wishful thinking will play a large part in these meanderings, which were not scheduled to get under way until 1984, as a tribute to George Orwell.

But so many things have been weighing on me, most of them petty and inconsequential, that I just couldn't wait. You'll see what I mean as I proceed. Parenthetically, let me point out that these vignettes or views may or may not directly involve the frequent flyer or frequent flying. They may often touch upon lifestyles (mine or somebody else's) or open wounds. We'll see.

On a recent flight from Chicago to New York, I found myself in first class (due to a last-minute upgrade), eagerly awaiting at least a tolerable dining experience at 35,000 ft. I was hungry and in no mood to quibble (I thought) over the gourmet qualities of the tray's contents. The choices were chicken and steak, and I chose the former. I have not had many quality encounters with inflight beef. The chicken, to get right down to the bone of contention, was inedible. Dry and stringy white meat was encased in a barely warm, greasy raincoat of skin that was covered with a congealing white envelope of sauce. (The topping had some redeeming value as a potential competitor for Krazy Glue.) The string beans were cold, soggy and tasteless; the potatoes undercooked. I sent back the tray and decided to wait until I got home to eat. I asked the stewardess, had this become typical first-class fare? She replied, "It's a new dish on this flight . . . I wouldn't eat it." Out of charity, I won't identify the airline in this case—it could have been an off night in the kitchen. But I wish the carriers would heed this not particularly original but oft-heard plea: If you have to serve food, keep it simple and edible. How about a sandwich (hot or cold) or a salad as one of the choices on short domestic flights?

If you have to serve food, keep it simple and edible. How about a sandwich (hot or cold) or a salad as one of the choices on short domestic flights?

Down on the Fantasy Farm, we'd prepare a menu for New York—Chicago of London broil and carved hot pastrami. Or lasagne and a fresh tuna salad. Or a refund.

There's an alarming trend for high and often overpriced restaurants to force several sittings for dinner. They'll only take reservations for 7 p.m. or 9 p.m. which, for starters, poses a scheduling problem, especially with business diners. But this particular constraint is outweighed by the uneasiness that pervades the table when they're trying to move you out. Especially if you're not ready or willing to go.

I recently ate out with the former head of advertising/public relations for El Al. He chose a neighborhood Italian place he regularly frequents on Manhattan's East Side—the Parma, on Third Avenue between 79th and 80th Streets. We were there for our 7 p.m. reservation and had a very good pasta dinner with a bottle of wine. By 8:15, the waiters began to move the dishes away a little more quickly than was necessary, and 20 minutes later they tried to part me from my half-finished cappucino.

A man who could have been the manager, maitre d' or whatever stalked by several times and shot irritated glances in our direction. My guest finally asked him if there was a problem. He said yes; he had other people to feed. This kind of behavior—and attitude—is unforgivable in a coffee shop, let alone in a class eatery. The intimidation, rudeness and continual pressure are even harder to understand when the table for a rather basic spaghetti dinner exceeds $50 for two people.

Television ad spending on the rise

NEW YORK—Television advertising by restaurants and drive-ins rose 22%, to $351.2 million, in 1981, the Television Bureau of Advertising reported.

The top 15 television advertisers in the restaurant and fast-food category spent a total of $245 million, an increase of 25% over the year before. (See chart.)

The top local retail advertiser on televison was McDonald's, spending $75 million, according to the bureau, a sales and marketing organization.

Overall, 1981 television advertising by local retailers increased 13%, to an estimated $2.3 billion.

The largest percentage gain for any individual retail business category was 48% for sport, hobby and toy stores, whose 1981 expenditures totaled $34.5 million.

LOCAL TELEVISION AD SPENDING BY RESTAURANT & FAST FOOD CHAINS

Company	1980	1981	% Change
1. McDonald's	$ 66,612,900	$ 75,219,100	+ 13
2. Red Lobster Inns	16,319,600	24,578,700	+ 51
3. Long John Silver's	15,127,700	20,161,900	+ 33
4. Burger King	16,421,400	18,389,600	+ 12
5. Wendy's	10,301,900	15,819,700	+ 54
6. Kentucky Fried Chicken	11,969,000	15,290,100	+ 28
7. Pizza Hut	5,295,400	14,005,800	+ 164
8. Taco Bell	8,035,300	10,396,700	+ 29
9. Jack-in-the-Box	8,326,300	9,799,600	+ 18
10. Hardee's	7,685,800	8,330,700	+ 8
11. Sizzler	6,416,000	7,873,000	+ 23
12. Arby's	7,944,200	7,192,700	− 9
13. Dairy Queen	6,127,800	6,377,400	+ 4
14. Burger Chef	4,968,700	6,168,400	− 24
15. Denny's	4,376,000	5,277,000	+ 21
Total Top 15	$195,928,000	$244,880,400	+ 25

Source: *Broadcast Advertisers Reports (BAR) 75 market data compiled by the Television Bureau of Advertising (TvB).*

Playboy Enterprises backs Hugh Hefner

ATLANTIC CITY—Playboy Enterprises said it would sell its hotel-casino here rather than sever ties with company founder and principal owner Hugh Hefner.

The company took the position that it might sell its 45.7% interest in the casino following a recent ruling by the New Jersey Casino Control Commission that Playboy Enterprises was unsuitable for a casino license as long as Hefner was associated with the company. The commission based its ruling primarily on Hefner's involvement in a bribery incident 20 years ago.

Playboy recently also lost its licenses for several casinos in England because of violations of credit regulations.

In its proposal to the gaming commission, Playboy asked for a 60-day period to arrange the sale of the $150 million Atlantic City project, in which it has invested $40 million. Its partner in the casino, Elsinore Corporation, has qualified for the license and could buy Playboy's interest, which the company put into escrow.

Playboy, through its lawyer, indicated it would probably appeal the commission's ruling to the courts.

Hefner owns close to 70% of Playboy Enterprises, whose holdings, besides the interest in the casino, include *Playboy* magazine, *Games* magazine, a division that licenses the Playboy logo, various real estate holdings and some $40 million in cash.

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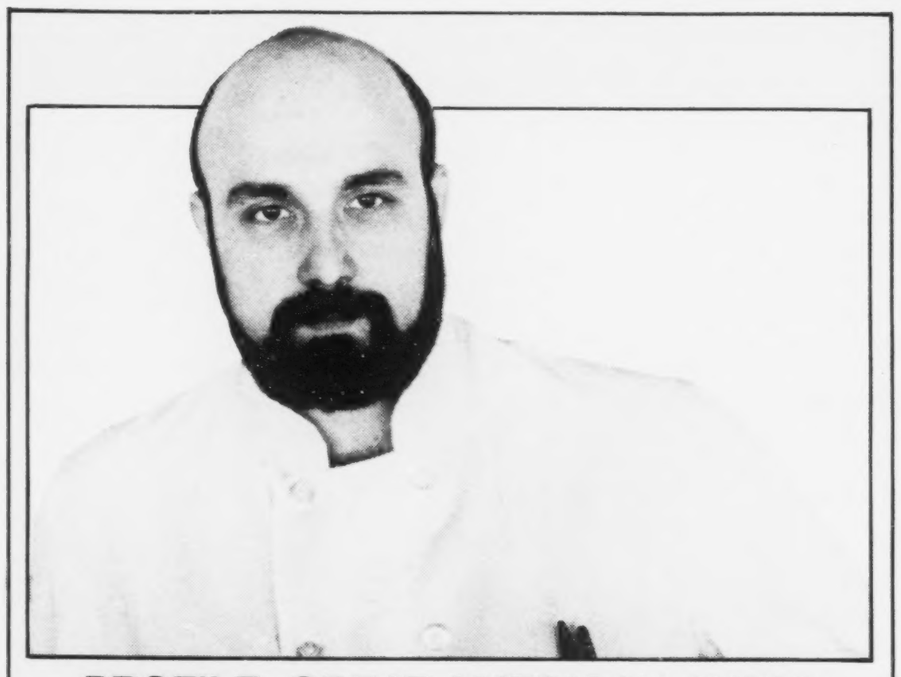


PROFILE: GREAT AMERICAN CHEFS

Nation's Restaurant News **profiles chef Larry Forgione of the River Cafe as part of a continuing series on American-born chefs.** **Story on Page 40.**

Rib market potential draws a new surge of investment

By Susan Spedalle

As evidence mounts that a popular market for barbecued rib concepts exists, a second wave of rib restaurants is emerging.

Newcomers include the Oh!Brian's chain (Raleigh, N.C.) just sold to the holding company which owns Golden Corral steakhouses (story, page 2); Luther's (Lafayette, La.) bought by Chart House just over a year ago; Red River Rib Co. (Miami) started by the Hardwicke Corp.; Gabby's Barbecue and Hamburgers (Houston); H.I. Ribsters (King-Of-Prussia, Pa.) started by Gino's, now part of Marriott, and independents such as Mr. Clyde's (Miami).

Spurred by the acceptance of chains such as Tony Roma's (Miami), Bobby Rubino's (Fort Lauderdale), Rib-It (Philadelphia) and Carsons and Bones (both Chicago), the new chains are out after their own markets.

The rib concept has appeal to both the operator and the public.

By focusing on entrees and not serving desserts, rib operators are turning tables quickly. The average check of $6 to $10 is low, but volumes are high. A unit may cost up to $1 million to build, but tables turn swiftly enough that most concepts are recording average annual unit sales of at least $1 million.

Customers in the low and middle income range find the rib check to be lower than that of most upscale restaurants and therefore an inflation fighter.

The only deterrent to the barbecue rib concept right now is the cyclical and unknown direction of the pork market. Prices for pork have steadily increased since last winter and commodities experts say the result will probably be higher prices continuing through to this winter.

Among the most important

(Continued on page 67)

Outlook for summer season inspires optimism

By Joe Edwards

Recession-weary restaurant and hotel operators in and near domestic resorts and vacation meccas are gearing up for the summer season with high hopes pegged to the travel industry's forecasts for June, July and August.

One such forecast, released by the U.S. Travel Data Center, a Washington-based, nonprofit travel research organization, says vacation travel will increase 4% to 6% this year.

"Optimistic" is the word most used by travel researchers, industry observers, state and local tourism officials, and restaurant and hotel operators when asked how they feel about the chances for a strong summer season.

"The summer looks very good indeed," says Jack McBean, a spokesman for the New York City Convention and Visitors Bureau which expects 17 million tourists to visit the city this year, many of whom will arrive in July and August.

On Cape Cod in Massachusetts, a popular destination for vacationers from throughout the Northeast and Canada, Vincent Catania, owner of an inn and three family restaurants, expects business to be "at least equal to last summer's," which he called "very good."

A spokesman for the Massachusetts Restaurant Association said most operators in Cape Cod and other tourist spots are hopeful for a good summer season.

The Colorado Convention and Tourist Bureau, however, feels the recession in other parts of the country will stop some people from traveling to the Rocky Mountain state. They predict a flat year.

U.S. Travel Data Center, which bases its projections on monthly surveys of the travel and vacation intentions of 1,000 adults, says most regions of the

(Continued on page 67)

Neeb stepping down as Burger King ceo; Brinker to take over

MIAMI—After nearly two years of sometimes controversial helmsmanship at Burger King, Louis P. Neeb has resigned as chairman and chief executive officer of the 3,200-unit hamburger chain, effective June 1.

Norman Brinker will succeed Neeb in both posts at the Miami-based, wholly owned subsidiary of Pillsbury Co. Brinker was named president of Pillsbury's new restaurant group, which includes Steak & Ale and Poppin Fresh Pies, three months ago. A major Pillsbury stockholder, Brinker was the founder of Steak & Ale and later served as its chairman and chief executive.

The departure of Neeb, 43, had been rumored following top management changes at Burger King in April, when Jerry Ruenheck was appointed to the new post of president and chief operating officer and Jeffrey Campbell was named president of BK U.S.A., the chain's domestic arm. The changes left Neeb's future role with the company unclear, and thus raised speculation that he was on his way out.

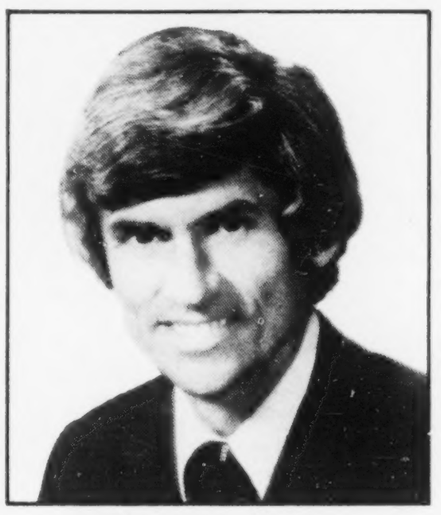
Although posting record sales and operating profits in fiscal 1981, Burger King's pace of new restaurant openings and sales growth has lagged behind some competitors'. Neeb, viewed by some as more a strategic planner than a hands-on executive, came in for his share of criticism, particularly for what some said was a lack of a clear-cut game plan for the world's second-largest restaurant chain.

In an interview following announcement of his resignation, Neeb denied published suggestions that he had been eased out, saying he had decided to leave the company some time ago. Neeb, who recently began reporting to Brinker instead of Winston Wallin, Pillsbury's president and chief operating officer, said he had "a part in convincing" Brinker to take over the restaurant group, and that he had told Brinker as early as March that "one of these days I'd like to do my own thing." He also said he helped plan the management changes after deciding to leave.

"I came here [to Burger King] reluctantly, but I feel good about where we are and where we're going," Neeb said.

The executive, who came to the restaurant business after

Norman Brinker



Louis P. Neeb

stints in Government service, said he would "take the time to explore what my options would be. I'm going to start looking at corporations that might be interested in turnaround situations." Neeb added he might

(Continued on page 67)

LATE NEWSBREAKS

McRib sandwiches have been added to menus in 2,000 domestic McDonald's in one of the fastest new product rollouts in the chain's history. The pressed pork sandwich, introduced in test units about a year ago, is performing "very strongly," a McD spokesman said. Chicken McNuggets, another new product, is now available in 3,400 units and will be in all domestic McDonald's by year end.

Dart & Kraft's food-service group said it will close a total of six distribution centers in Boston, New Orleans and Portland by the end of the month and will deliver its products in those areas through independent distributors.

Del Webb Corp. said it had agreed on the principal terms of an option to buy a half interest of Claridge Associates, its limited partner in Atlantic City's Claridge Hotel and Casino. The option price was put at $4.5 million. The Atlantic City hotel is valued at $165 million, a spokesman said.

Experimental concept

K mart joins pizza, video bandwagon

TROY, Mich.—K mart, the discount department store chain, is jumping onto the pizza-and-games bandwagon with two experimental Abra K Dabra units outside of St. Louis. *(For comments on video games in restaurants, see Editor's Corner, Page 8.)*

The 14,000-sq.-ft. stores are due to open in mid-June in closed supermarkets adjacent to existing K marts in Wood River, Ill., and Florissant, Mo.

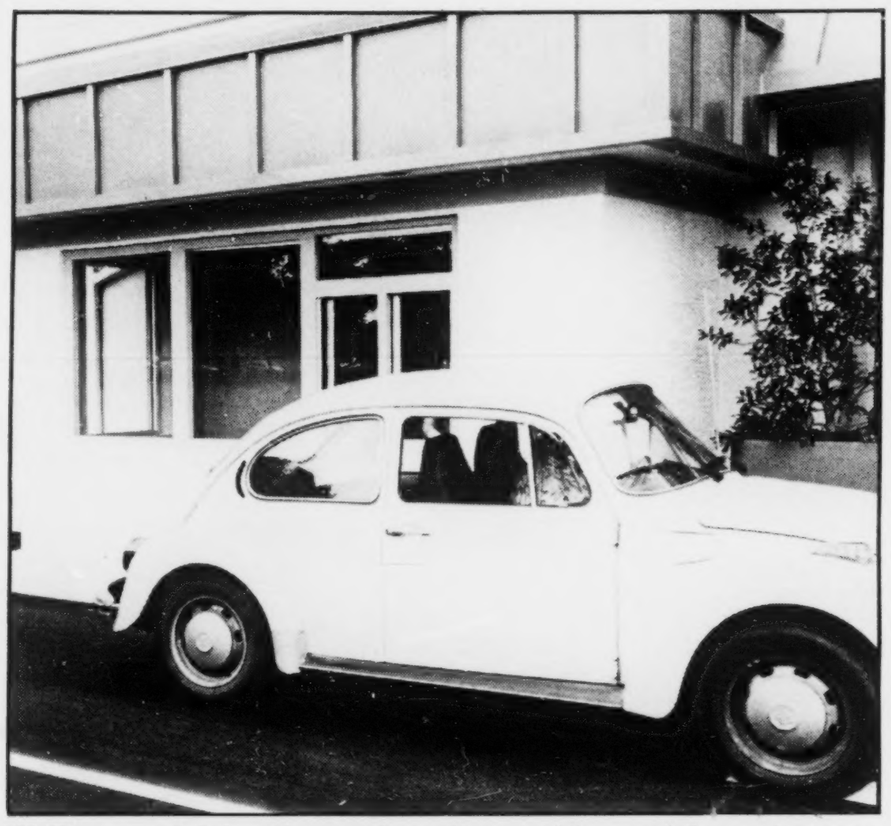
They will mainly serve pizza, with sandwiches, beer, wine and soft drinks, according to K mart spokesman Susan McKelvey.

The units will have 30 to 40 video games in one room, a children's playground in another, a piano bar for parents in a third room, and the dining room will feature a four- to seven-minute filmed magic show every 15 minutes, she said.

Abra K Dabras will also have the capability for live-performer magic shows, she said. The units will not be using computer-controlled robot performers.

Expansion, she said, will depend on performance. Furr's Cafeterias, a subsidiary of K mart, is not involved.

Take-out only units fill key role in urban areas



Walk-up and drive-thru only units provide a quicker return on investment for growth-minded fast feeders.

By Rurick Telberg

Fast-food chains continue to experiment with seatless take-out-only units but have withheld the full-speed-ahead command as the spiraling construction costs which first impelled their design start to flatten.

A number of chains are building the half-size restaurants in high-density urban areas where construction is still prohibitively expensive and in suburban locations where a full-size unit would cannibalize sales at existing units.

McDonald's has built eight "Mini-Macs," which are about 1,400 sq. ft. compared to the standard 3,400 sq. ft. Wendy's is planning two to four new ones by year's end. Burger King has built a handful but reportedly has no immediate plans for more.

"This gives us an opportunity to use some smaller sites that a normal restaurant could not fit into," said Steve Wolverton, a McDonald's franchisee who is building the chain's eighth "Mini-Mac" in Fort Lauderdale near his existing full-size McDonald's.

"We're thinking in terms of putting the units six, eight or nine blocks from current units," said Brian Padberg, Wendy's corporate communications vice president.

Padberg said the drive-thru only units would be sited in the "seams" between existing Wendy's to capture a larger share of the market. In addition, walk-up-only units are on tap for urban locations, he said.

Other chains experimenting with takeout-only units include Church's, Popeye's and Arby's. Some chains, particularly chicken and pizza chains, have had takeout-only units for years.

Although most chains are taking a wait-and-see attitude for the time being, the latest interest in takeout-only could trickle down to other, smaller chains and emerge as a significant industry development in the next few years—especially if building costs soar anew.

Goody's Golden Chicken, a New Orleans-based chain headed by former Popeye's executives, is building prefabricated restaurants without dining rooms.

Dining rooms double construction costs but provide only 20% to 30% of sales, according to Goody's vice president John Ervine. Takeout-only, he said, provides a quicker return on investment.

Church's builds almost exclusively takeout-only units in high-density urban neighborhoods. Bill Storm, Church's senior vice president for finance, said these stores can generate sales equal to sitdown units.

Church's will open three or four walkup counters in Chicago and Philadelphia this year,

(Continued on page 68)

Godfather's Pizza goes public

By Rurick Telberg

OMAHA—Godfather's Pizza Inc. went public this spring at a time when its systemwide sales reached $255 million and average annual unit sales approached $500,000.

"It was the right time in our development to go into the public markets," said Richard Jeffries, executive vice president and general counsel for the 700-unit, nine-year-old pizza chain.

The founding shareholders sold 1.5 million shares to raise about $13.5 million for themselves and about $4 million in offsetting taxes for the cash-rich company.

About 15% of the company was sold. Founder William Theisen, now chairman and president, retains 75% ownership after the initial public offering.

About a month after going to market Godfather's stock was trading at about $12 per share, up from the offering price of $9.75, Jeffries said.

Jeffries listed three "compelling" reasons for making the offering after nine months of testing the waters and preparing the paperwork.

"First, it's an equity vehicle we can share with our employees," he said. "It helps in recruiting. Sometimes it is hard to attract top people to Omaha.

"Second," he continued, "we wanted to do it a time when we didn't *need* to do it."

"And finally, it gives us a visibility we never had in the past," he said.

Jeffries denied that one reason may have been the initial public offering made last year by a franchisee.

The Godfather's Pizza network has grown from five restaurants in 1975 to almost 700 restaurants in 41 states. In the prospectus filed with the offering, the company anticipates that 250 new franchised units will open this year, with 250 more in 1983 and 250 in 1984.

The prospectus boasts, also, that Godfather's average unit sales are believed to be the highest in the chain pizza (without games) industry.

Last year, the chain's restaurants averaged $496,000 each in annual sales, with franchised restaurants scoring $502,000 per year.

Godfather's company-owned restaurants, however, scored $428,000 each, about the same as in 1979. Jeffries said that some 20 company units opened in Texas in 1980 were met by high personnel turnover as the company tried to expand too fast.

Godfather's reported profits of $1.4 million for the first quarter ended April 4, a 46% increase over the first quarter of last year which ended March 29, 1981.

Revenues were $9.4 million for the quarter ended in April, up 32% from the 1981 quarter ended in March.

Systemwide sales for the same period were $67.3 million, up 40% over the year-ago quarter.

Godfather's numbered 682 units as of April, up from 445 a year before.

For the last-completed fiscal year, ended Jan. 2, 1982, Godfather's reported profits of $5.4 million, compared to $2.4 million for the fiscal year ended Nov. 30, 1980.

Year-end revenues for the same two years went from $18.3 million to $35.5 million, the company said.

Systemwide sales for the year ended in January were $255 million with 582 franchised and 54 company units, the firm said.

Godfather's founder William Theisen retains 75% ownership.

In November 1980, the chain had systemwide sales of $143 million with 359 franchised and 35 company units, Godfather's Pizza reported.

Batchelder exits Hardee's to pursue other ventures

ROCKY MOUNT, N.C.—Bo Batchelder, Hardee's executive vice president for marketing, operations and development, has left the chain "to seek other opportunities" in the food-service field.

Batchelder joined Hardee's as marketing vice president five years ago after being a Hardee's franchisee for several years. He was later promoted to executive vice president for marketing. His duties were expanded last year when Roger Kisiel, operations and development executive vice president, left and later became Sambo's president and chief operating officer.

"I have greatly enjoyed my relationship with Hardee's and with Jack Laughery [chairman and president]," declared Batchelder, 37. "I simply reached the conclusion that it was time to move on to something on my own."

Batchelder continues to reside here and to explore opportunities mainly in the Southeast.

Oh!Brian's sold to Golden Corral parent

By Susan Spedalle

RALEIGH, N.C.—Oh!Brian's, a group of seven barbecued rib restaurants developed by the Allentown, Pa.-based Aspen Group, has been sold.

Six of the restaurants, all based in North Carolina, went to a holding company that owns Golden Corral steakhouses and to certain individuals also connected with Golden Corral.

The seventh, in Pennsylvania, was sold to former Aspen Group executive Kerry Lohrman.

No sale terms were divulged.

The six North Carolina restaurants will now constitute Oh!Brian's Corp., operating as a subsidiary of Investors Management Corp., Golden Corral's parent.

Golden Corral development vice president G. William Adkins will be Oh!Brian's Corp. president.

The Oh!Brian's concept was started in August 1980 by entrepreneur Brian Lechner with funds from the financially successful three-unit chain of Aspen Inns. Six months before he died in an auto accident, Lechner opened the first Oh!Brian's barbecue restaurant in Winston-Salem, N.C., as the prototype for "a rib restaurant capable of rapid, multiunit growth," says ex-ceo Kerry Lohrman who joined the Aspen Group as a manager and worked his way up to vice president of operations and finally controller. When Lechner died, his widow (who had no desire to run the company) appointed Lohrman ceo and asked him to proceed with attempts to divest the company of the seven profitable barbecue rib restaurants.

The Investment Management Corp. (IMC) bought six of the seven units, all located in North Carolina. The seventh one, in Pennsylvania, was sold to Lohrman by Kimberly Lechner.

Although the amount of the sale is undisclosed, Lohrman described it as "generous." He also said that IMC is trying to keep the Oh!Brian's restaurants separate from the Golden Corral restaurants, but in actuality the healthy Golden Corral chain is expected to fuel the unfulfilled dreams of expansion that once motivated Brian Lechner. At Golden Corral headquarters on Glenwood Avenue in Raleigh, Investors Management Corp., Golden Corral and the new Oh!Brian's Corp. are all under the same roof.

Over the past three years the

(Continued on page 68)

HIGHLIGHTS IN THIS ISSUE

8 The video game wave—will it deluge the food-service business? Editor Charles Bernstein urges that a balance be struck.

11 Video games again, as Warner Communications tests a new concept that allows patrons to play.

13 Finding an award-winning restaurant in a chain hotel is rare, but Atlanta's Omni International hotel has a pair of them.

19 Seattle's tough liquor laws haven't stopped one group of area restaurant bars from doing a handsome business. Columnist Mort Hochstein tells how.

20 NRA staff chief Bob Neville, profiled in this issue, admits his Marine training didn't prepare him for everything he'll face in Washington.

37 There's nothing trendy about Atlanta's popular Mary Mac's, a 20-year institution of old-style Southern cooking.

39 From Wyoming, Taco John's is looking to the East for new franchises and it's first national advertising program.

49 It may be located in Grand Central Station, but the Oyster Bar and Restaurant doesn't need to depend on commuters for its booming business.

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Vol. 16, No. 12 June 7, 1982

FINANCIAL NEWS

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended May 21							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio	Indicated Dvd Rate		Last X-Dvd Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt	Pct				Amt	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.88	5.50	5.50	-.38	-6.38	10.63	3.50	.76	-.67	-2.67	-31.74	.47	-.21 Q	-50.0	6.0	4.3	26.2	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	20.88	17.50	19.50	2.00	11.43	21.88	10.00	.28	-.17	4.61	-27.53	1.66	.36 S	24.8	34.0	6.3	10.8	.22	1.1	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	28.38	26.75	27.63	.63	2.31	36.00	23.50	.32	.96	-.15	-36.71	4.00	-1.13 S	-22.7	-1.0	1.5	7.2	2.00	7.2	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	6.38	5.75	5.75	-.63	-9.80	8.63	4.88	-.20	-1.60	2.58	3.01	.66	.13 S	22.0	-8.0	2.6	8.0	.12	2.1	03-02-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	6.38	6.00	6.13	-.25	-3.92	6.50	2.88	.40	.47	1.52	-3.42	.62	.16 Q	32.6	32.0	2.4	9.4	.00	.0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	25.00	24.75	24.75	-.50	-1.98	27.00	17.75	-.39	.26	-2.59	-28.26	1.40	.19 N	13.5	26.0	8.0	15.6	.40	1.6	05-10-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	2.38	1.75	1.88	.25	15.38	6.88	1.06	1.09	-5.67	3.96	-40.98	-3.33	-3.32 Q	NC	-67.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	17.25	15.38	15.50	-1.75	-10.14	17.50	9.88	.34	-.52	2.11	40.05	.59	.33 Q	103.1	24.0	4.3	23.8	.10	.6	03-08-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	7.75	7.75	7.75	-.50	-6.06	10.34	7.16	-.22	.45	-2.40	-53.33	.90	-.19 N	-16.6	7.0	2.2	8.2	.20	2.6	04-29-82	41.7	.9	.4	9.6	4	0281
Carrols Develop	CRL	6.13	5.75	5.88	-.13	-2.08	7.63	3.97	.55	-.16	-2.65	-61.67	.86	.72 N	163.6	35.0	2.4	5.1	.09	1.5	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	21.25	19.88	20.13	-1.38	-6.40	22.88	15.25	-.18	-.69	.14	-12.49	2.03	.27 Q	15.2	14.0	5.0	9.9	.60	3.0	03-22-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	24.75	23.88	24.13	-.88	-3.50	27.25	15.13	.18	.61	-1.94	-8.96	.46	.33 N	94.2	35.0	14.1	35.5	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	14.13	13.38	13.75	-.13	-.90	14.38	9.00	.35	.27	-5.44	-18.12	.66	-.36 S	-42.8	24.0	2.7	28.6	.40	2.9	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	32.50	29.13	29.75	-2.50	-7.75	37.38	25.00	-.20	-.70	.49	71.61	3.52	.34 Q	10.8	18.0	10.8	8.5	1.00	3.4	04-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3.13	2.88	3.00	.13	4.35	3.63	2.50	-.09	.11	.98	-68.78	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	17.25	15.63	15.75	-.25	-1.56	17.25	10.31	.48	-.27	-1.17	-22.45	1.56	.63 N	41.4	13.0	2.8	7.3	.24	1.5	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7.13	6.88	6.88	-.13	-1.79	10.13	5.25	-.13	.13	-.45	10.21	-.08	.12 S	NC	NE	-1.5	57.3	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0681
Cracker Barrel	CBRL	11.00	9.75	10.00	-.75	-6.98	11.00	7.25	.64	-1.06	-.59	28.74	1.00	1.01 S	NC	21.0	3.2	9.9	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	25.25	22.50	23.38	-1.88	-7.43	26.75	14.75	-.07	-.61	-.89	5.74	1.97	.77 N	49.6	6.0	3.2	10.1	.64	2.7	06-04-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	16.25	16.13	16.13	-.38	-2.27	18.25	11.13	.01	.47	-2.39	-25.82	1.82	.28 Q	17.3	19.0	8.3	8.5	.30	1.9	02-05-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	10.25	9.25	9.38	-.63	-6.25	10.50	5.78	.11	.84	-5.42	-40.00	1.39	.70 S	63.0	14.0	3.0	5.2	.30	3.2	03-30-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	5.00	5.00	5.00	.00	.00	8.25	5.00	-.04	.50	-10.83	.00	.27	-.15 S	-19.7	-24.0	.7	8.2	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	2.50	2.00	2.00	-.50	-20.00	6.50	2.00	1.14	-3.61	11.54	73.13	-2.22	-3.88 S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	38.88	36.63	38.00	-.25	-.65	52.25	32.00	.00	.52	-.71	-26.03	4.22	-.04 Q	-.9	25.0	20.9	9.5	1.80	4.7	05-28-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	29.25	25.88	26.88	-2.13	-7.33	33.25	21.88	.05	-.28	1.25	12.40	3.66	1.12 Q	42.4	26.0	7.8	7.1	.80	3.0	03-15-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	42.00	39.00	39.00	-4.00	-9.30	48.75	33.00	-.02	-1.00	5.44	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17.25	15.75	17.25	.50	2.99	17.38	7.28	-.02	.78	-3.51	-24.34	1.05	.13 Q	14.6	30.0	2.7	16.9	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Hungry Tiger	HTIG	8.75	8.25	8.50	.25	3.03	9.38	6.00	.75	-.47	4.10	38.00	.92	.14 S	16.6	42.0	3.2	8.7	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0681
Imperial Grp	IMT	1.75	1.63	1.69	.00	.00	1.81	1.06	.08	.76	-.74	2.78	.62	-.15 S	-21.1	28.0	2.1	3.0	.14	8.3	02-24-82	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.75	11.50	11.50	.00	.00	13.25	9.25	.13	.65	-3.46	72.83	1.72	.23 Q	15.7	38.0	6.1	6.8	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3.50	3.00	3.38	.25	8.00	3.50	1.75	1.04	1.59	-.51	-18.44	-.65	.19 S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	7.25	6.88	6.88	.00	.00	7.25	2.88	.54	-.75	-6.43	-31.84	.63	.31 S	75.6	-1.0	3.0	9.5	.16	2.3	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	20.63	18.75	20.25	1.25	6.58	27.63	15.63	-.24	-.05	2.85	-52.68	1.70	.27 N	17.1	22.0	5.6	11.0	.12	.6	02-01-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.00	3.75	3.75	-.25	-6.25	4.38	3.38	.14	.08	5.83	45.76	-.24	-.46 S	-575.0	-33.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	19.00	18.00	18.50	-.50	-2.63	19.00	10.75	.39	.19	2.54	17.93	.89	.89 F	NC	126.0	8.1	20.8	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafe	LUB	32.00	28.88	29.38	-1.00	-3.29	32.00	23.50	.42	-.86	-4.09	-21.64	1.45	.25 S	18.9	23.0	9.1	18.7	.48	1.6	06-07-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	6.75	5.75	6.13	.38	6.52	7.28	5.00	.51	-1.35	-6.07	-4.17	1.15	.04 N	3.5	7.0	5.8	5.3	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	40.25	38.25	38.50	-1.00	-2.53	47.00	31.63	-.02	-.48	-3.08	-1.12	3.20	.55 Q	20.0	31.0	4.3	11.7	.30	.8	06-21-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	67.13	64.63	66.25	-.75	-1.12	72.88	56.75	-.24	.68	1.29	4.16	6.54	1.01 Q	17.6	18.0	10.5	9.9	1.20	1.8	05-24-82	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	11.50	11.38	11.38	-.13	-1.09	12.00	8.13	.12	.44	-3.13	-4.08	.95	.15 N	16.6	7.0	3.9	10.8	.36	3.2	04-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	3.13	2.38	2.38	-.75	-24.00	4.13	2.13	.16	-1.15	2.05	15.37	.22	.10 Q	76.9	-26.0	.5	10.3	.02	.8	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.06	1.00	1.06	.06	6.25	1.88	.63	.01	2.45	5.24	77.05	-.87	-.42 N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	12.00	9.00	.09	.44	-1.70	-71.43	1.74	.04 Q	2.5	13.0	1.3	5.7	.32	3.5	03-11-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	8.50	7.63	7.63	-.63	-7.58	11.38	6.88	-.28	-.68	-1.19	7.89	1.01	.12 S	13.4	25.0	5.4	7.5	.20	2.6	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	17.63	15.63	15.63	-2.13	-11.97	19.00	13.50	-.23	-1.20	-1.07	33.59	1.30	.14 N	10.7	15.0	6.1	10.9	.48	3.1	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	6.13	5.13	5.25	-.88	-14.29	11.50	4.75	.12	-1.59	-1.06	23.67	.50	-.02 Q	-3.5	-6.0	1.0	9.5	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	32.50	28.50	30.75	-1.25	-3.91	32.50	18.00	.68	.27	1.12	6.53	.58	.54 F	350.0	81.0	7.2	53.0	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	17.25	15.75	15.88	-.63	-3.79	19.75	11.75	.37	-.19	.89	11.66	2.01	1.42 F	240.6	8.0	2.4	7.9	.40	2.5	06-11-82	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	5.63	5.25	5.25	-.25	-4.55	12.50	5.00	.22	-.46	-1.52	-2.45	.05	-.48 F	-90.5	-15.0	.4	105.0	.12	2.3	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	5.00	4.63	4.63	-.38	-7.50	8.25	4.00	.02	-.66	-2.48	-65.56	.97	-.14 Q	-15.3	51.0	2.4	6.0	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	27.88	24.63	25.63	-2.38	-8.48	29.25	16.00	.06	-.12	-3.08	-4.00	2.36	1.07 N	49.7	18.0	1.4	8.0	.56	2.2	05-17-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	10.63	9.63	9.63	-.38	-3.75	17.88	6.88	.21	-.83	3.00	-21.90	.68	.08 Q	13.5	55.0	4.5	14.4	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	10.00	9.25	9.25	-.75	-7.50	13.00	7.00	.03	-1.65	-4.28	-9.52	1.69	-.51 Q	-30.9	78.0	3.5	8.1	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	18.25	17.25	17.50	.13	.72	18.25	11.91	.38	.41	-2.57	18.41	1.03	.24 Q	27.2	21.0	5.5	15.6	.16	.9	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	9.50	8.50	9.50	-1.00	-9.52	13.66	8.50	-.60	.43	3.11	-84.62	.94	-1.30 F	-58.0	64.0	1.4	10.1	.20	2.1	12-28-81	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.63	2.50	2.63	.13	5.00	3.13	2.38	-.39	.85	2.06	-30.00	.06	-.23 S	-79.3	-34.0	.5	43.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	6.00	5.50	5.75	.25	4.55	7.13	4.25	.50	.27	.13	-65.28	-.22	.18 S	NE	-23.0	-.9	143.8	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	10.38	10.00	10.00	-.38	-3.61	11.25	6.25	-.08	.19	.54	-26.63	-1.85	2.11 N	NE	-32.0	-4.3	83.3	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Wendys Intl	WEN	17.00	15.13	15.50	-.63	-3.88	19.25	12.25	-.14	-.28	-2.75	4.32	1.52	.14 Q	10.0	18.0	7.5	10.1	.28	1.8	05-11-82	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.75	7.00	7.13	-.25	-3.39	13.00	4.88	-.23	-.56	1.14	-22.72	.56	.14 F	33.3	-13.0	1.3	12.7	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

New beverage-container plan favors industry

WASHINGTON—Agriculture Department officials outlined a compromise Federal beverage container policy that appears to resolve most of the food-service industry's concerns over proposals to require deposits on all bottles and cans.

Unlike pending Federal legislation which would outlaw the sale of "throwaway" beverage containers by imposing a mandatory 5¢-to-10¢ deposit on cans and bottles, the new U.S.D.A. approach would sidestep restaurants and other beverage retailers altogether.

Instead, brewers and bottlers would be charged a fee for each container sold and the resulting revenues would be used to "buy back the empties using regular trash recycling channels."

These container fees could vary from 1¢ to 3¢ "depending on the scrap value of the empty containers," U.S.D.A. researchers said. "Redemption centers have already been established in many areas for aluminum cans, and firms would begin to buy other types of containers as well if the empties had a comparable market value."

For food retailers and food-service operators that sell carryout beer and soft drinks the major objection to mandatory container deposit laws is the recycling nightmare that would result. In addition to massive handling costs associated with redeeming returned bottles and cans, restaurant operators fear that stockpiles of potentially contaminated containers would create serious sanitation problems.

Besides eliminating these concerns altogether, the U.S.D.A. approach would also reduce the risk of a sharp drop in consumer demand for beer and soft drinks because of higher prices. Studies in Michigan and other states which have enacted mandatory deposit laws of their own have found that consumer prices for beverages have climbed sharply following the adoption of such requirements.

"Compared to mandatory deposit laws, such a [container fee] program probably would lower prices consumers pay for beverages since recycling through normal trash handling channels appears to be more efficient than having food marketing firms handle and dispose of the empties," U.S.D.A. officials said.

Interest in this approach to recycling beverage containers is not limited to the Agriculture Department. A similar plan has also been advanced by the Congressional Office of Technology Assessment as a means of reducing litter without resorting to mandatory deposits.

Rather than imposing the container fees on bottlers and brewers, however, O.T.A. suggested assessing fees directly on container manufacturers.

Although both the U.S.D.A. proposal and the O.T.A. plan appear far more palatable to the food-service industry than pending Federal deposit requirements, time may be running out on compromise.

Laws mandating minimum deposits on beer, soft drink and other beverage containers have already taken effect in six states (Connecticut, Iowa, Maine, Michigan, Oregon and Vermont), and similar throwaway bottle bans are scheduled to become law in Delaware and Massachusetts within the next few months.

According to U.S.D.A. researchers, additional container deposit laws came under consideration in another 30 states last year alone, and "pressures for legislation will likely remain strong until the litter issue is satisfactorily resolved."

FINANCIAL NEWS

ARA profits rise 3% as revenues drop 2%

PHILADELPHIA—ARA Services Inc. reported a 3% net income rise to $13 million for its second quarter ended April 2, compared to the same period a year ago. Revenues for the same period dropped 2% from $721 million to $706 million.

For the six months ending the same date revenues stayed about equal to the $1.4 billion figure for the first half of 1981.

During both periods the company achieved higher earnings in its domestic food-service business and improvement in operating margins resulted in a 12% increase in income during the quarter on a 1% decline in revenues for this segment.

Three other business segments—health and family care services, distributive services, and textile rental and maintenance services all experienced higher earnings, while lower earnings were reported for the transportation and international food and refreshment segment.

During the quarter the company sold its textile rental business and related assets in the Detroit area, experiencing a pretax gain of $1.9 million on the sale which is included in the results for 1982. However, operating results for the second quarter are not reflected in the figures. Complete divestiture of the textile company is expected by mid-spring.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
ARA Services	3 mos. 6 mos.	4/2			$706.800 1,400.00	– 2	$13.000 26.500	3 – 7
Godfather's Pizza	3 mos.	4/4			9.38		1.370	
Piccadilly Cafeterias	3 mos. 9 mos.	3/31			33.80 105.60	13 13	1.900 7.000	9 14
Int'l King's Table	3 mos. 9 mos.	4/3			11.50 27.20	10 11	0.203 0.242	
Sea Galley Stores	3 mos.	3/31	$16.00	106.0			0.555	20
Pamex	3 mos. 6 mos.	3/31 3/31	5.78 11.3	20.0 14.7			0.157 0.286	24 55

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Sea Galley net up 20% for first quarter of '82

MOUNTLAKE TERRACE, Wash.—Sea Galley Stores, operator of 39 Sea Galley restaurants in the Western States and five Family Fish House units in Maryland, reported net profit rose 20% to $555,000 during the first quarter ended March 31 compared to the same period of the previous year.

Sales rose 106% to $16 million during the quarter, according to Steven B. Dowan, the company's president and chairman.

Dowan attributed the quarter's performance to improved cost control in the company's western operations and increased sales in the East Coast stores. The five Family Fish House units are the remnants of a much larger chain Sea Galley bought last year, eventually converting some of the stores to Sea Galley units and selling the rest.

Pamex reports 24% profit jump

FORT WORTH—Pamex Foods, operator and franchisor of 24 Pancho's Mexican Buffet restaurants and owner-operator of four Spanish Galleon Seafood restaurants and two Emiliano's restaurants, reported net profit rose 24% to $157,164 for the second quarter ended March 31, compared with the same period of the previous year.

Sales rose 20% to $5.78 million for the quarter, according to Hollis Taylor, president and chief executive officer.

For the first half net profit jumped 55% to $286,027 on a 14.7% sales increase to $11.3 million.

Mihaylo buys 20% of Swensen's

PHOENIX—Steve Mihaylo, founder and owner of Inter-Tel, a Phoenix-based manufacturer of phone systems and telephone switching devices, has acquired a 20% interest in Swensen's Ice Cream Company and has joined the board of directors.

Swensen's operates about 300 company-owned and franchised ice cream stores in the United States and has operations in Mexico, Canada, Saudi Arabia, Brazil, Hong Kong, Singapore and Japan.

It is a full subsidiary of Red River Resources, a Phoenix-based holding company headed by entrepreneurs Karl Eller and Herbert Lewis.

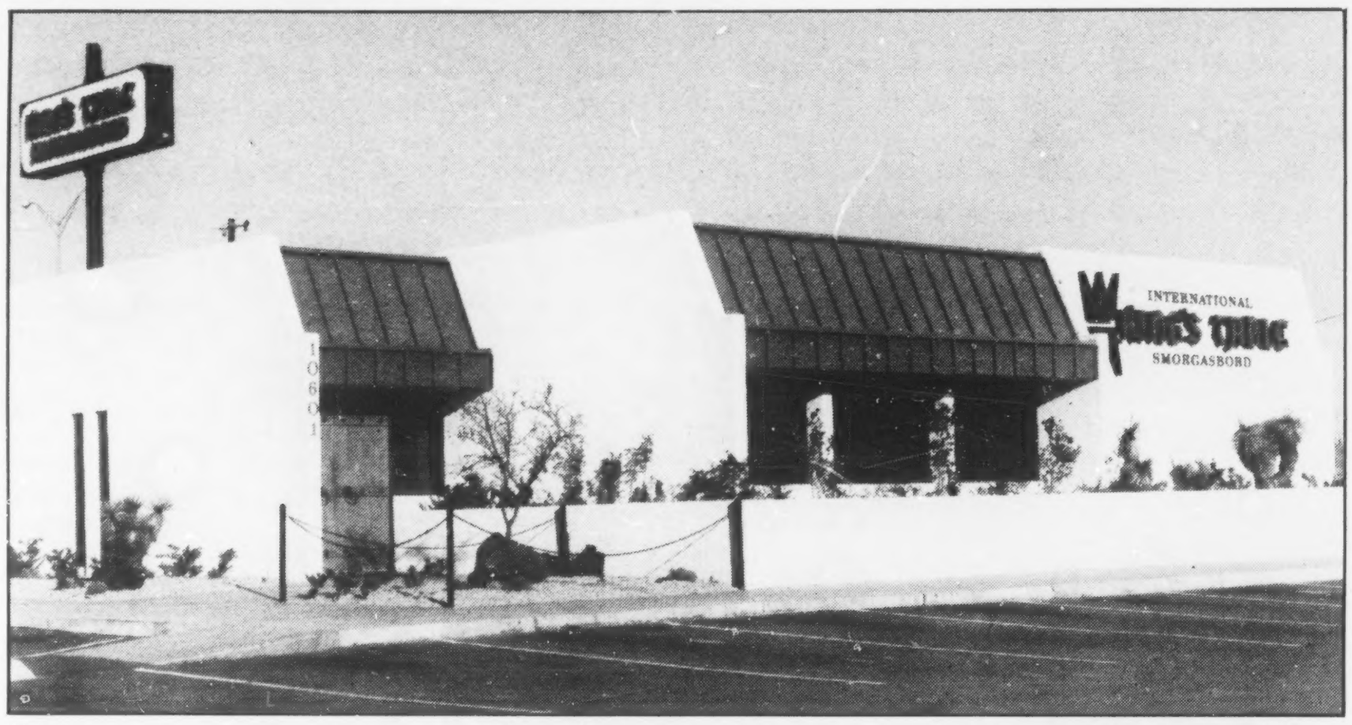
Piccadilly 3rd qtr. net climbs 9%

BATON ROUGE, La.—Piccadilly Cafeterias Inc. reported profits up 9% to $1.9 million for the third quarter ended March 31, compared to the year-ago period.

Revenues were up 13% to $33.8 million.

For the first nine months, the company reported revenues of $105.6 million, up 13%, and profits of $7 million, up 14%, compared to last year's period.

Piccadilly, which has 81 cafeterias, opened a new one in the third quarter in Phoenix and planned another one for the fourth quarter in Virginia.



Efforts to spark new sales among the elderly have apparently paid off for Int'l King's Table.

King's Table shows 3rd qtr. profit rise

EUGENE, Ore.—International King's Table Inc. reported $203,000 in profits for the third quarter ended April 3 compared to a loss of $627,000 in last year's third quarter.

Third quarter revenues for the chain of 51 cafeterias was $11.5 million, up 10% over the year-ago period, the company said.

For the three-quarter, or 40-week, period, King's Table reported profits of $242,000, compared to a $1 million loss last year.

During the quarter, the company completed installing meat-carving stations and dessert bars in all of the restaurants. This has helped spark new sales among the elderly, who account now for 37% of the firm's clientele.

Small restaurants may lose Federal aid

WASHINGTON—Reagan Administration regulators have retooled a controversial 1980 proposal which would have disqualified thousands of independent restaurant operators from Federal small business assistance.

Although industry leaders concede that the new approach represents an improvement over the original Carter Administration plan, it would still deny Small Business Administration loans and loan guarantees to many small food-service firms currently eligible for Federally subsidized financing and other types of aid.

Currently, S.B.A. rules employ a gross dollar sales yardstick to determine whether a restaurant or other type of firm qualifies as an eligible small business. Under the original Carter Administration plan that dollar volume standard would be dropped, and instead S.B.A. would count a company's employees to determine whether the firm is "small."

The 1980 formula would have denied S.B.A. eligibility to any restaurant with more than 25 employees, while taverns and other "drinking establishments" employing more than 15 workers would no longer qualify for Federal small business assistance.

That plan drew a particularly hostile reaction from the nation's fast-food franchisors who argued that the new S.B.A. size standards would virtually eliminate all possibility of Government loan guarantees to fledgling franchisees.

In response to prodding from the International Franchise Association, Congress directed S.B.A. to suspend implementation of the new standards and agency officials returned to the drawing boards.

The new standards issued last month by Reagan S.B.A. regulators would allow eating places with as many as 100 workers to qualify as small businesses, while taverns with as many as 25 employees would continue to be designated "small."

Significantly, however, the agency refused to relax a separate provision of the new size standards plan which food-service leaders consider to be particularly discriminatory.

In taking its employee headcount, S.B.A. plans to make no distinction between full-time workers and part-timers—an approach that tends to artificially inflate the size of businesses in industries such as food service which employ a large proportion of part-time personnel.

In justifying this approach, agency officials said "it is difficult for the S.B.A. to require firms to distinguish between their part-time and full-time work forces."

Although they acknowledged that failing to distinguish between full- and part-timers would create "problems" for some industries, S.B.A. regulators said that "if employees are counted differently [such as on a full-time equivalency basis], it could entail substantial record keeping and paperwork problems for firms on the eligibility margin."

Jerrico expands baked fish test

CHICAGO—Jerrico's Long John Silver's 1,250-unit seafood fast-food restaurant group is expanding its test of a baked fish platter into the Youngstown, Ohio, area this July, Jerrico chairman and president Warren Rosenthal told analysts here.

The baked cod platters are now in test in Lexington, where the company is headquartered, and in Corpus Christi and Springfield, Mo. But because the baked product requires costly new equipment and remodeling of units, Jerrico has been expanding the test slowly. Any systemwide rollout would not be completed until two years from now "at the earliest," Rosenthal told the analysts.

Jerrico officials have previously said that baked fish items, which are meant to appeal especially to nutrition-conscious consumers, will account for some 30% of corporate earnings by 1986. In its most recent fiscal report, Jerrico said net income for the third quarter ended March 31 was $4.1 million on revenues of $102.6 million.

Current advertising for the baked fish platter is built around the theme, "It's good. It's good for you." In-store merchandising includes nutritional information, such as a breakdown of the product's calories.

Meanwhile, Rosenthal was quoted as saying the chain has placed on the backburner plans for a new, so far unidentified restaurant concept the company has been developing internally for sometime now.

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DESSERT MERCHANDISING

Restaurants turning sweet profits—Pages 63, 64

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1982 NRA SHOW ATTENDANCE EXCEEDS 85,000

Ted Balestreri, NRA convention committee chairman, cuts ribbon to kick off 1982 National Restaurant Association Show at Chicago's McCormick Place. Total registration at the Show (May 22-26) jumped from 82,893 in 1981 to 85,222. Ten more companies had show booths for a new total of 1,237. (Full Show coverage appears on Pages 66-100.)

NRA establishing vast 'grass roots' lobbying network

By Ken Rankin

WASHINGTON, D.C.—The National Restaurant Association is moving swiftly and dramatically to decentralize its Government lobbying activities through an ambitious new "grass roots" network of politically active restaurateurs.

Under the association's freshly retooled "political education" program, rank-and-file NRA members will be recruited from key Congressional districts to serve as the organization's front-line liaisons with Senators and Congressmen assigned to critical legislative committees.

The new "grass roots" action program, which was developed by NRA's Political Education Committee (PEC), does not involve any cutback in the association's traditional Washington-based lobbying activities. Rather, the PEC iniative is designed to add a new, politically potent dimension to NRA's ongoing efforts to influence Federal legislative and regulatory developments affecting the industry.

Once the new PEC member network is established, it will serve as "the foundation stone for all of our Government rela-

(Continued on page 143)

Golden Corral blazing westward with latest acquisition

Sirloin Stockade purchase will double chain's holdings

RALEIGH, N.C.—Golden Corral, in a deal that would dramatically push ahead its westward march across the Sunbelt, has agreed to acquire Oklahoma-based Sirloin Stockade.

The deal, which would double the size of 191-unit Golden Corral, is expected to be completed by the end of summer, said Wayman O. Leftwich Jr., senior vice president of the fast-growing budget steakhouse chain.

Golden Corral says it will run Sirloin Stockade's 193 units as a separate operation based in Oklahoma City and has named its own co-founder William Carl as chief executive officer of Sirloin Stockade, replacing Ted Brunner.

Although the company may convert some stores to the Golden Corral concept, a company spokesman said it has no plans to introduce Golden Corral's unusual management style into the 118 company-owned Sirloin Stockade group.

That management style, a unit manager investment plan reminiscent of the "fraction of the action" program once used by Sambo's, is usually credited for Golden Corral's exceptional growth in units and sales.

The new deal comes on the heels of another Golden Corral acquisition. A company subsidiary recently bought the six North Carolina units of the Pennsylvania-based Oh!Brian's group of tablecloth barbecue restaurants.

(Continued on page 143)

Lawrence Ellman (left) president and chairman of Beefsteak Charlie's, signs new pact with Robert Brock of the Brock Hotel Corp.

Beefsteak Charlie's inks ShowBiz Pizza contract

NEW YORK—Beefsteak Charlie's, operator of a string of dinnerhouses along the Eastern Seaboard, signed on as a franchisee of ShowBiz Pizza Place, a pizza-and-video-game chain.

Beefsteak Charlie's plans to spend about $20 million to build 25 ShowBiz units within a year, the companies said. Another 100 units are planned over the next five years.

Details of the franchise agreement were not disclosed. Typical ShowBiz franchises, however, go for $25,000 per restaurant plus 4.5% of sales.

Beefsteak Charlie's is committed by the deal to build units in New York, New Jersey, Connecticut, Pennsylvania, Massachusetts and Maryland.

ShowBiz, an 80%-owned subsidiary of Brock Hotel Corp., operates 70 company-owned units, mostly in the South.

Succeeds chain's founder

Magruder takes reins at Casa Gallardo

By Rurick Telberg

ST. LOUIS, Mo.—Ron Magruder, once national operations director at General Mills' Red Lobster Inns, was named last month to succeed Ramon Gallardo as president and chief executive officer of the 12-unit Casa Gallardo Mexican dinnerhouse chain here.

Gallardo was moved up to the new post of chairman of the chain, which was developed from the restaurant he opened here in 1975 and later sold to the General Mills Restaurant Group in 1979.

"My primary involvement will be as a spokesman," said the 44-year-old Gallardo. "People feel more comfortable going to a restaurant when there is somebody they know behind the name."

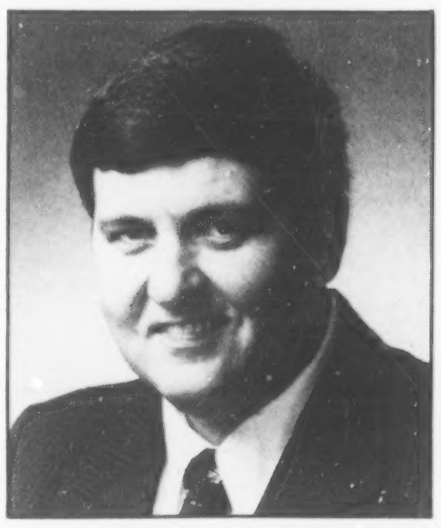
As a restaurant chain founder who embodies the public image of his firm, Gallardo would be following in the footsteps of Harlan Sanders of Kentucky Fried Chicken, Ray Kroc of McDonald's and Stuart Anderson of Black Angus steakhouses.

The executive shift appears to indicate that the General Mills Restaurant Group, headed by president Joe Lee, is putting the machinery in place to accelerate Casa Gallardo expansion, a process which needs the full-time, hands-on attention of a professional manager and the image-building and quality-control power of the founder combined.

Magruder, who is 34, had been vice president for international growth and development at the restaurant group since March 1981. His post at the overseas-scouting team which he participated in developing, was, for the time being, left vacant.

For 1½ years previously Magruder had been vice president and national director of op-

(Continued on page 143)



Ron Magruder

LATE NEWSBREAKS

European banks have extended Wienerwald restaurant group's debt repayment schedule, reportedly averting bankruptcy by the company. Wienerwald borrowed about $111 million, mainly to finance its purchase of Lums and IHOP restaurants in the United States.

Ponderosa reported net profit down 10% to $2.1 million for the first quarter ended May 20 compared with the same period last year. Bonanza reported a first quarter profit of $15,000 compared to a $60,000 loss last year.

DeNova Corp., Utica, Mich., franchisor of 155 Dog n Suds and B & K Root Beer restaurants, acquired Tastee Freez International from Topsy's International, Kansas City, Mo., for an undisclosed sum. Tastee Freez operated over 500 company-owned and franchised Tastee Freezes, Big Tee Burger and Big T Family Restaurants.

COMMODITIES

Pork hits year's high; Beef not far behind

NRN Special Report

Pork has reached its high for the year at $1.19 per pound for 14- to 17-lb. loins at the slaughterhouses in the Midwest. Beef is not far behind with 700-900 lb. of Choice grade selling at the slaughterhouse for $1.17. Broilers, after a period of being significantly behind last year's prices, are now climbing. While Brazilian lobster tails and cod fillets are stable in price, Gulf Coast shrimp are in great demand and are posting higher prices.

Pork producers have reacted favorably to hog prices of nearly $60 per hundredweight, which is the magic number this year, indicating profit for the producer. If prices hold, farmers will farrow heavily and early next year will be producing larger quantities of pork than are now coming from the farms. Until then, pork prices will continue high, although the usual yo-yo effect of price resistance and supply buildup will be alternating with lower prices and increased consumption.

Because beef producers have a much longer turnaround time between planning and sale of meat-ready animals—of about three years—continued high prices for beef are expected to continue through the middle of 1983, with short periods of heavier marketing and lowered prices. Broiler producers have begun to cut back, with current settings and placement of broiler chicks down about 3% from last year at this same time. As a result, broiler prices are beginning to climb, although they are not near 1982's earlier highs yet.

Maine lobsters continue at high prices and Alaska king crab, when it can be found, is at the highest prices in several years. But to balance this, prices of a number of popular food-service fish species have remained stable, even though imports are down over the past month or so.

Some Good News

Coffee prices for green beans dropped at the end of May in the New York City markets. Heavy production in Brazil and other coffee producing countries has provided heavy inventories held by members of the International Coffee Organization. Continued lowered demand throughout the summer could drop prices even further. If drops are sufficiently large (3¢-5¢ per pound) for long enough, it may trigger another round of drops in prices of roasted, ground coffee.

Rice prices are down 60%-62% from last year's high levels. There is a heavy inventory of rice in this country, so prices will probably remain low through the rest of the year. Wheat, given continued favorable weather and the high yield expected by the U.S. Department of Agriculture, will be a near record crop, although not as large as last year's. One big question overhang-

(Continued on page 144)

PRICE MOVEMENT AT A GLANCE

	May 28 1981	April 28 1982	May 28 1982
Beans, green, Fancy cut 4s, canned, NW (6/10)	$ 7.75-8.75	$ 7.75-8.75	$7.50-8.50
Beans, green Regular cut, frozen, NW (lb.)	$ 0.42	$ 0.47	$ 0.47-0.50
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 1.02	$ 1.13	$ 1.17
Broccoli, fresh Salinas (14s)	$ 6.00	$ 4.50	$ 4.50-5.00
Broilers, Grade A, icepack, NYC (lb.)	$ 0.4459	$ 0.4650	$ 0.4831
Eggs, Grade A, large white, Chicago (doz.)	$ 0.6575	$ 0.635-0.64	$ 0.585-0.59
Lettuce, iceberg, California (24s)	$ 5.50-6.50	$ 4.00-5.00	$ 5.00-6.00
Pork loins, 14-17 lb., Midwest (lb.)	$ 0.95	$ 1.11	$ 1.19
Rice, No. 2 milled, Arkansas (cwt.)	$28.00	$17.00-18.00	$16.50-18.00
Shrimp, brown Gulf, frozen 16/20 ct. (lb.)	$ 6.30	$ 6.25	$ 6.75

Source: *NRN research*

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

NRA board adopts measure to kill beef grade changes

By Charles Bernstein

CHICAGO—The National Restaurant Association's board of directors has unanimously adopted a resolution to consider eliminating beef grading entirely if the U.S.D.A. amends the beef grading standards again as seems likely.

"If the U.S.D.A. goes through with this," NRA Government relations committee chairman and incoming vice president Joe Lee told the board members meeting at the Chicago Marriott just before the NRA Show, "the whole grading system will be worthless as 90% of beef will be rated choice and the consumer will have no way of judging the real relative quality."

Jack Webb, chairman of the NRA's beef grading standards subcommittee, emphasized that the resolution was intended to give the NRA staff guidance in a contingency situation and "provides the flexibility" to take action if the new grading regulations are adopted. "We don't want to hamstring the staff," he said.

Webb earlier had told the NRA's Government relations committee that "if the cattlemen do prevail, the beef grading system will become meaningless and really should be abolished."

Lee said, "We're not going to take this lying down and there's a good chance we can still win the battle against these new beef grading proposals." He emphasized the NRA's role in publicly fighting the proposals, and a taped picture of NRA outgoing chairman Walter Conti's previous appearance on the NBC television network was shown in which Conti dramatized the industry's position.

A prime intent of the NRA

(Continued on page 144)

John Dankos, who took office as chairman and president at the National Restaurant Association's annual membership meeting, presents plaque to outgoing chairman Walter Conti (left) in recognition of Conti's outstanding service.

Dankos elected NRA ceo; Lee, vp; Machus, treasurer

CHICAGO—The National Restaurant Association's membership approved the selection of John Dankos as 1982-83 chairman, president and in effect ceo on May 24, and he was promptly installed. (Full personality profile, page 17.)

Joe Lee, president of General Mills' restaurant group, received approval as NRA vice president, and Harris Machus, president of Harris Machus Restaurants in Michigan, as treasurer.

Earlier, Dankos paid tribute to outgoing NRA chairman Walter Conti, saying, "If we had an Academy Award in our industry, Walter Conti would get it for his totally professional performance all year under the toughest conditions."

Conti received a series of tributes by NRA and industry leaders all week and said that while he appreciates the praise, "it's time to get on with the business of the new administra-

(Continued on page 144)

ShowBiz Pizza adds deli line following successful market test

TOPEKA, Kan.—Showbiz Pizza Place has added a line of delicatessen-style sandwiches to the menus in all 67 restaurants in 18 states following the "overwhelmingly successful testing in two markets," a company spokesman said.

The ham and cheese, turkey and submarine sandwiches are served either hot or cold. Prior to the rollout, Showbiz's menu was limited to pizza, hotdogs, a roast beef sandwich, soft drinks, beer and wine, salads, ice cream and cotton candy.

Showbiz promoted its new menu items with television, radio and newspaper ads and color newspaper inserts.

In the test stores, the sandwiches sold best at lunch, mostly to business people who stopped by for a meal and a few video games, said Bill Dryg, vice president and director of food standards and controls for the two-year-old chain.

Dryg said the sandwiches are selling at or above expected levels; one unit served 500 sandwiches the first day the ads appeared.

Showbiz Pizza Place, which is 80% owned by the Brock Hotel Corp., was one of the first restaurant chains to capitalize on the video game craze. The concept combines food with entertainment; the restaurants feature electronic games, giant-screen television and life-sized animated entertainers who provide music and comedy using compressed air and computer technology.

The first franchised unit opened this month; all other restaurants are company-owned and operated although a major franchising effort is under way.

Bloch wins IFMA Golden Plate award

CHICAGO—Jacques Bloch, food-service director of New York's Montefiore Hospital & Medical Center, was presented with the International Foodservice Manufacturers Association's operator of the year Golden Plate award at IFMA's annual awards banquet in the Conrad Hilton Hotel last month. He has been a driving force in the health care food-service field for over 25 years. (See personality profile on Bloch, Page 14.)

Bloch won the award based on earlier secret balloting by food-service publication editors and last year's Silver Plate winners. The choice of an institutional director came as a surprise but was nevertheless a popular one due to Bloch's long years of dedicated service to the food industry. "Jacques Bloch may not have been the name most known throughout the industry," was one comment echoed by others, "but he certainly deserves this honor and the recognition to an institutional leader shows the award is not merely a chain or restaurant one."

The early favorites for the award—based on their high public visibility—had been Silver Plate winners Ernest Renaud, president of Long John Silver's, and Thad Eure, president of General Mills' Creative Dining Systems.

Other Silver Plate winners honored at the banquet were Maxine Anderson, Stanford University food-service manager; Lt. Nicholas Diorio, naval food-service officer; John Dunfey, Dunfey Hotels ceo; Albert Wood, Los Angeles schools food-service director, and Richard Ysmael, Motorola employee services director.

Jack Laughery, Hardee's chairman and president, won the Golden Plate last year. Other Golden Plate winners in recent years were the "21" Club's Jerry Berns; Dieter Buehler, then TWA food-service director and now with Idle Wild Farms; Collins Foods' James Collins; Frontier Enterprises' Jim Hasslocher; Leonard Rawls, then Hardee's chairman and now owner of the Canton Station chain; Jerrico's (parent of Long John Silver's) Warren Rosenthal; Blackhawk Restaurants' Don Roth, and John Teets, Greyhound food management ceo and now also parent Greyhound Corp. ceo.

Braddock named exec vp of Steak & Ale Corp.

DALLAS—Marvin T. Braddock has moved up to executive vice president of corporate development for Steak & Ale, Bennigan's and Poppin' Fresh restaurants, the three chains in the Pillsbury-owned S & A Restaurant Corp.

In another move at the company's headquarters here, William R. Floyd was named vice president marketing at Bennigan's.

Braddock's position is a newly created one. He was most recently senior vice president for the restaurant group. In his new post, he will report directly to Hal Smith, S & A president.

Norman Brinker, S & A chairman, last month took over as chairman and chief executive of Burger King, the wholly owned Pillsbury subsidiary based in Miami. Brinker replaced Louis P. Neeb, who resigned after top management changes at Burger King were made in April.

Burger King is not part of the S & A Restaurant Corp., however.

FINANCIAL NEWS

Pizza Inn net rises 48% for first quarter of 1982

DALLAS—Pizza Inn Inc. has announced that net income increased 47.8% for the first quarter, ended March 28, to $442,000, from $299,000 during the same quarter of the last fiscal year.

Revenues for the quarter were $34.2 million, up 4.9% from $32.6 million in the first quarter of fiscal 1981.

Volumes Up

The increases resulted from decreases in certain costs, such as supervision, and an approximately 14% increase in restaurant volumes, the company said.

Kelly-Johnston's yearly earnings soar 120%

OKLAHOMA CITY—Kelly-Johnston Enterprises Inc., operators of 14 franchised Chi-Chi's restaurants in Oklahoma, Kansas, Missouri, New Mexico, Florida, and Georgia, reported a 120% increase in net earnings to $1.4 million on a 54% revenues rise to $18.5 million for the fiscal year ended March 28.

In April the company opened restaurants in Wichita, Kan., and Albuquerque, N.M. Kelly-Johnston Enterprises has franchise rights for Chi-Chi's in 11 states.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Steak & Shake	3 mos. 6 mos.	3/31 3/31	$ 12.586 26.600	0.2 4	$12.770 26.941	0.4 3.5	$ – 139,574 – 146,432	
Esteban Mexican Foods	3 mos.	3/27	1.39	3				
Pamex	3 mos. 6 mos.	3/31 3/31	5.784 11.292	20 15				
Pizza Inn Inc.	3 mos.				34.238	5	442,000	48
Godfather's Pizza	3 mos.	4/4	67.3	40	9.318	32	1.36	46
Kelley-Johnston Entpr.	12 mos.	3/28			18.509	54	1.49	120
Carson Pirie Scott	3 mos.	5/1	183.806	2			302,000	8

Source: *Company earnings reports*

**In millions*

†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended June 4							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate			Indicated Dvd Rate						Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year				Profit Margin	Latest P/E Ratio			Last X-Dvd Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt	Pct				Amt	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil	$ Mil	—	$	$	—
Aca Los A Res	ALAR	5.50	4.25	4.25	-1.25	-22.73	10.63	3.50	-.44	.62	-1.77	-4.96	.47	-.21	Q	-50.0	6.0	4.3	20.2	.00	0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	20.13	18.13	19.38	-.13	-.64	21.25	10.00	.60	1.90	2.41	18.65	1.66	.41	N	26.2	34.0	6.3	9.8	.22	1.1	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	28.75	27.13	28.00	.38	1.36	36.00	23.50	.54	.90	-1.48	13.97	4.00	-1.13	S	-22.7	-1.0	1.5	7.3	2.00	7.1	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.75	5.38	5.38	-.38	-6.52	8.63	4.88	-.46	-.75	-.90	34.46	.66	.13	S	22.0	-8.0	2.6	7.5	.12	2.2	03-02-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	6.50	5.88	5.88	-.25	-4.08	6.50	2.88	.27	-1.61	3.14	-31.24	.62	.16	Q	32.6	32.0	2.4	9.0	.00	0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	24.75	23.00	23.00	-1.75	-7.07	27.00	17.75	-.25	-.72	-1.21	-4.19	1.60	.20	F	14.2	25.0	7.9	14.4	.40	1.7	05-10-82	147.0	11.8	1.9	0	6	0481
Bonanza Intl Inc	BNZA	2.25	1.88	2.25	.38	20.00	6.88	1.06	1.35	5.99	1.93	41.76	-3.33	-3.32	Q	NC	-67.0	-61.8	NE	.00	0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	16.13	15.25	15.63	.13	.81	17.50	9.88	.33	.11	.12	-1.91	.59	.33	Q	103.1	24.0	4.3	24.0	.10	.6	03-08-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	7.75	7.75	7.75	.00	.00	10.34	7.16	-.16	.38	1.10	.00	1.11	.21	F	23.3	9.0	3.2	7.0	.20	2.6	04-29-82	41.7	.9	.4	9.6	4	0281
Carrols Develop	CRL	6.00	5.13	5.13	-.75	-12.77	7.63	3.97	-.18	-1.83	-10.99	-35.56	.86	.72	N	163.6	35.0	2.4	4.4	.09	1.8	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.25	19.88	19.88	-.25	-1.24	22.88	15.25	-.17	-.03	-2.89	7.93	2.03	.27	Q	15.2	14.0	5.0	9.7	.60	3.0	03-22-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	25.00	23.25	23.25	-.88	-3.63	27.25	15.13	.14	-.63	4.15	-19.89	.46	.33	N	94.2	35.0	14.1	34.2	.00	0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	13.63	12.25	13.25	-.50	-3.64	14.38	9.00	.07	.13	-1.27	16.11	.66	-.36	S	-42.8	24.0	2.7	27.6	.40	3.0	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	30.25	28.25	28.88	-.88	-2.94	35.63	25.00	-.37	.80	-2.40	-2.72	3.52	.34	Q	10.8	18.0	10.8	8.3	1.00	3.5	04-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3.00	2.75	2.75	-.25	-8.33	3.63	2.50	.00	-.62	-.09	19.23	-1.43	-1.09	F	NE	NE	-17.3	NE	.00	0	00-00-00	16.8	-2.9	0	6.2	0	1280
Collins Foods	CF	15.50	14.50	14.88	-.88	-5.56	17.25	10.31	.03	.00	-3.30	-17.91	1.56	.63	N	41.4	13.0	2.8	6.9	.24	1.6	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7.00	6.63	6.63	-.25	-3.64	10.13	5.25	-.13	.13	-1.87	-48.96	-.08	.12	S	NC	NE	-1.5	55.2	.00	0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	10.50	9.75	10.25	.25	2.50	11.00	7.25	.29	1.84	-4.17	30.52	1.00	1.01	S	NC	21.0	3.2	10.1	.00	0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	24.25	22.63	23.50	.13	.53	26.75	14.75	-.22	1.35	.03	-8.04	1.97	.77	N	49.6	6.0	3.2	10.1	.64	2.7	06-04-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	16.13	15.13	15.63	-.50	-3.10	18.25	11.13	.05	1.37	.05	-4.40	1.82	.26	S	15.2	19.0	8.3	8.0	.30	1.9	02-05-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	9.50	8.88	9.25	-.13	-1.33	10.50	5.78	-.26	.90	-6.40	-78.13	1.39	.73	N	63.4	14.0	3.0	4.9	.30	3.2	03-30-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	8.00	5.00	8.00	3.00	60.00	8.25	5.00	.83	12.91	10.49	66.86	.27	-.15	S	-19.7	-24.0	.7	13.1	.00	0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	2.13	2.00	2.00	.00	.00	6.25	2.00	-1.05	-1.59	4.19	.00	-2.22	-3.88	S	NC	-62.0	-11.4	NE	.00	0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	38.25	33.13	33.25	-4.75	-12.50	52.25	32.00	-.21	-.40	3.05	4.52	4.22	-.04	Q	-.9	25.0	20.9	8.4	1.80	5.4	05-28-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	27.75	25.50	27.50	.63	2.33	33.25	21.88	-.07	2.30	.84	31.99	3.66	1.12	Q	42.4	26.0	7.8	7.3	.80	2.9	03-15-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	38.50	38.38	38.38	-.63	-1.60	48.75	33.00	-.13	.35	12.59	-99.68	NA	NA		NA	NA	NA	NA	.00	0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17.75	15.75	17.00	-.25	-1.45	17.75	7.28	.22	2.09	1.25	14.28	1.05	.13	Q	14.6	30.0	2.7	16.7	.00	0	01-11-82	128.2	- 4.0	1.8	15.4	6	1280
Hungry Tiger	HTIG	8.50	7.75	7.75	-.75	-8.82	9.38	6.00	.61	-1.51	-1.62	22.22	.92	.14	S	16.6	42.0	3.2	7.9	.00	0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.75	1.63	1.75	.06	3.70	1.81	1.06	.19	1.02	-2.01	-43.55	.62	-.15	S	-21.1	28.0	2.1	3.1	.14	8.0	02-24-82	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.50	11.25	11.50	.00	.00	13.25	9.25	.22	.83	1.13	-2.08	1.72	.23	Q	15.7	38.0	6.1	6.8	.00	0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3.38	3.13	3.13	-.25	-7.41	3.50	1.75	.84	.38	.32	-36.38	-.65	.19	S	NE	-43.0	-3.1	NE	.00	0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	6.75	6.38	6.38	-.50	-7.27	7.25	2.88	.15	.00	-.24	28.21	.63	.31	S	75.6	-1.0	3.0	8.9	.16	2.5	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	20.88	20.00	20.50	.25	1.23	27.63	15.63	.26	.85	2.36	4.14	1.70	.27	N	17.1	22.0	5.6	11.1	.12	.6	02-01-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3.75	3.75	3.75	.00	.00	4.38	3.38	.22	.32	-.36	-58.33	-.24	-.46	S	-575.0	-33.0	-2.9	NE	.00	0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	18.75	17.75	18.00	-.50	-2.70	19.00	10.75	.10	.10	8.46	-11.00	.89	.89	F	NC	126.0	8.1	20.2	.00	0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafe	LUB	29.50	26.88	27.13	-2.25	-7.66	32.00	23.50	-.10	.30	-4.65	-36.89	1.45	.25	S	18.9	23.0	9.1	17.3	.48	1.8	06-07-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	6.13	5.88	5.88	-.25	-4.08	7.28	5.00	.57	-.10	-2.53	-39.88	1.15	.04	N	3.5	7.0	5.8	5.1	.00	0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	39.25	36.50	36.50	-2.00	-5.19	47.00	31.63	.13	-.25	1.70	-14.57	3.20	.55	Q	20.0	31.0	4.3	11.1	.30	.8	06-21-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	67.63	65.38	67.50	1.25	1.89	72.88	56.75	.10	1.21	-.56	20.31	6.54	1.01	Q	17.6	18.0	10.5	10.0	1.20	1.8	05-24-82	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	11.38	10.75	10.88	-.50	-4.40	12.00	8.13	-.10	.71	-1.61	29.44	.95	.15	N	16.6	7.0	3.9	10.4	.36	3.3	04-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.38	2.25	2.25	-.13	-5.26	4.13	2.13	-1.11	.26	-2.50	54.95	.22	-.25	S	-500.0	-22.0	.5	NE	.00	0	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.06	1.00	1.00	-.06	-5.88	1.88	.63	.28	.00	-1.31	-68.42	-.87	-.42	N	NE	NE	-7.9	NE	.00	0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	11.50	9.00	.28	.38	-1.69	50.00	1.74	.04	Q	2.5	13.0	1.3	5.7	.32	3.5	03-11-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	7.75	6.88	7.00	-.63	-8.20	11.38	6.88	-.52	-1.44	-3.57	14.86	1.01	.12	S	13.4	25.0	5.4	6.9	.20	2.9	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	15.75	14.75	14.88	-.75	-4.80	18.88	13.50	-.62	.34	-2.82	2.90	1.30	.14	N	10.7	15.0	6.1	10.3	.48	3.2	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.25	4.75	4.88	-.38	-7.14	11.50	4.75	-.75	-.42	-3.69	-3.96	.50	-.02	Q	-3.5	-6.0	1.0	8.9	.00	0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	30.75	27.25	27.25	-3.50	-11.38	32.50	18.00	.29	-1.94	-1.70	32.90	.58	.54	F	350.0	81.0	7.2	47.0	.00	0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	16.00	14.00	14.50	-1.38	-8.66	19.75	11.75	-.05	.43	-.84	25.25	2.01	1.42	F	240.6	8.0	2.4	7.2	.40	2.8	06-11-82	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	5.25	5.00	5.13	-.13	-2.38	12.50	5.00	-.17	.82	.30	-9.44	.05	-.48	F	-90.5	-15.0	.4	102.5	.12	2.3	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	4.75	4.13	4.25	-.38	-8.11	8.25	4.00	-.38	-1.42	-7.80	38.37	.97	-.14	Q	-15.3	51.0	2.4	5.5	.00	0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	26.00	25.25	25.50	-.13	-.49	29.25	16.00	-.16	.37	-6.52	-17.73	2.36	1.07	N	49.7	18.0	1.4	7.9	.56	2.2	05-17-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	9.63	8.50	8.50	-1.13	-11.69	17.88	6.88	-.25	.21	-1.44	6.21	.68	.08	Q	13.5	55.0	4.5	12.7	.00	0	06-02-81	49.0	2.2	1.8	2.4	5	1281
Servico Inc	SRVI	9.75	9.00	9.00	-.25	-2.70	13.00	7.00	.13	-1.51	7.65	3.48	1.69	-.51	Q	-30.9	78.0	3.5	7.9	.00	0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	17.75	17.25	17.25	-.25	-1.43	18.25	11.91	.39	.07	-1.78	-32.52	1.03	.25	S	27.1	21.0	5.5	14.7	.16	.9	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	10.00	10.00	10.00	.50	5.26	13.66	8.50	-.04	.36	2.51	76.67	.94	-1.30	F	-58.0	64.0	1.4	10.6	.20	2.0	06-25-82	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.63	2.63	2.63	.00	.00	3.13	2.38	.18	.45	-2.41	-30.49	.06	-.23	S	-79.3	-34.0	.5	43.8	.00	0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	6.63	5.88	6.50	.75	13.04	7.13	4.25	1.14	.36	6.81	27.24	-.22	.18	S	NE	-23.0	-.9	162.5	.00	0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	10.00	9.13	9.13	-.88	-8.75	11.25	6.25	-.07	.19	1.46	17.52	-1.85	2.11	N	NE	-32.0	-4.3	76.0	.00	0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Wendys Intl	WEN	15.88	14.50	15.00	-.50	-3.23	19.25	12.25	-.46	1.15	-3.98	10.76	1.52	.14	Q	10.0	18.0	7.5	9.8	.28	1.9	05-11-82	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.25	6.38	6.50	-.63	-8.77	12.13	4.88	-.19	-1.33	1.32	-13.88	.56	.14	F	33.3	-13.0	1.3	11.6	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

SECURITY: INTERNAL & EXTERNAL

Clamping down on costly crime—Pp. 21-28

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The Newspaper of the Food Service Industry

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Industry comeback continues

NEW YORK—Customer count increases slowed slightly in May for major food-service chains, but the general rebound which began in March still appears to be holding steady.

A comprehensive survey of 17 leading food-service chains showed total sales up 5.2% in May, compared with the previous May, and menu prices up only 3.5% in the same period, for an actual 1.7% comparative sales gain. In April the same 17 chains, whose units were intensively surveyed by Colonia, N.J.-based Restaurant Industry Trends, had a 5.9% total sales increases and a 3.9% menu price rise for a 1.8% actual sales increase.

Selected burger chains led the way in May with Wendy's showing a 7% actual sales rise, Jack in the Box 6%, Hardee's 4% and McDonald's 3%.

The coffee shop/family restaurant market appeared to slump as Denny's was off 1% in actual sales in May and Howard Johnson was flat. But Friendly was up 2%, and Sambo's results improved from a 13% actual sales dip in April to a 3% drop in May.

The overall performance of major chains in actual sales (roughly equivalent to customer counts) was considered satisfactory in the light of continued recession trends.

Pizza Hut franchisees are joining forces under the leadership of company president Arthur Gunther (inset) in an effort to form a unified system with consistent quality standards.

Pizza Hut's drive for unified image paying dividends

By Charles Bernstein

WICHITA, Kan.—Pizza Hut has launched a regionalized effort to coordinate its franchisees and give the system consistency—the one ingredient it has lacked for years as quality and standards varied greatly from one unit to another.

In the crazy-quilt pattern, "we had 109 different menus and 200 price ranges," a company source said. "Now that's all changing, and things are coming together in a standard pattern without sacrificing too much individuality."

The change stems from a new franchising agreement signed by virtually all of Pizza Hut's 127 franchisees, who range from 100-unit operators to ones with five units or less.

In effect, the agreement makes Pizza Hut one system of 2,000 domestic company-owned and 2,000 domestic franchised units, rather than the former completely separate systems. Co-op advertising was also established for the first time, and franchisee unit managers will be required to attend regional training schools to establish uniformity.

One thing Pizza Hut does have is the dedication of its franchisees, since only 14 of the 127 are also franchisees of other food-service chains. Under the intense negotiating process and

(Continued on page 49)

McDonald's promotes Quinlan, Schmitt

OAK BROOK, Ill.—Michael R. Quinlan, 37, has been named president and chief operating officer of McDonald's Corp. He remains president of McDonald's U.S.A., a position he has held since 1980.

Quinlan replaces Edward H. Schmitt, 56, who was named board vice chairman, a new position. Formerly president and chief administrative officer of the corporation, he continues in the chief administrative officer post.

In another move at headquarters here, Edward H. Rensi, 37, was named senior executive vice president and elected to the board. The former executive vice president continues as corporate chief operations officer.

Quinlan's promotion was viewed as less than a surprise by those familiar with McDonald's. The young executive has risen quickly through the ranks and has performed most of the duties for which he is now officially responsible.

The top level shuffling at the leading restaurant company was designed "to strengthen our corporate management in the United States and internationally," Fred L. Turner, chairman and chief executive, said. "I have asked Ed Schmitt to concentrate more of his time on our increasingly important international growth."

Schmitt has been with McDonald's for 18 years and served in several management posts before his promotion to vice president and regional manager in 1968. Three years later, he was named executive vice president and in 1974 senior vice president. Schmitt

(Continued on page 49)

Wage-hour regulators move to relax teen labor laws

By Ken Rankin

WASHINGTON—Reagan Administration wage-hour regulators have tentatively agreed on a major overhaul of the Federal child labor restrictions—a move that should give the nation's restaurants far greater flexibility to employ teenagers for kitchen work.

The liberalized teen employment rules were developed under marching orders from Vice President George Bush's White House Task Force on Regulatory Relief which attacked Federal child labor rules earlier this year as unnecessarily cumbersome and inconsistent.

Among other things, Administration regulatory reformers attacked current wage and hour ground rules permitting teenagers to cook hamburgers at lunch counters and snack bars but not in traditional restaurant kitchens—a distinction that Bush described totally unjustified.

The Labor Department's new child labor regulatory plan not only eliminates such inconsistent restrictions, but also proposes to offer food-service operators greater flexibility in scheduling teenage kitchen workers.

Although the new child labor rules have yet to surface as an official Reagan Administration proposal, draft copies of the revised regulations have been circulating among Washington trade associations and other industry groups.

Officials at the National Restaurant Association voiced general support for the Administration wage-hour changes, predicting that the relaxed child labor ground rules will prove to "be of considerable importance to food-service operators, who employ more teens than any other retail industry."

Although the new Labor Department plan does not address all of the restaurant industry's concerns about Federal restrictions on teenage employment, "many of the changes in the draft proposal are ones NRA has advocated for years," NRA labor law specialist Clyde Griffith said.

Besides dropping a number of current restrictions on the job duties that teens may legally perform in restaurant kitchens, the proposal would significantly increase the number of hours that youngsters may be employed in food-service establishments.

Instead of the three-hour work ceiling currently imposed on 14- and 15-year-olds, the draft proposal would allow these teenagers to work as many as four hours daily on

(Continued on page 49)

MUFSO agenda features top industry executives

WASHINGTON—*Nation's Restaurant News* has lined up a number of leading speakers for its 23rd annual Multi-Unit Food Service Operators (MUFSO) conference, at the Washington Hilton Hotel Oct. 24-27.

Among them will be J. Willard Marriott Jr., president of Marriott Corp.; Owen Butler, chairman of Procter & Gamble; Robert Luckey, new chairman of Sambo's; Jim Peterson, president of Whataburger; Nolan Bushnell, chairman of Pizza Time Theatre and founder of Atari; Norman Brinker, president of Pillsbury's restaurant group, and Joe Lee, president of General Mills' restaurant group.

Key panel discussions are slated on such topics as the state of the economy, demographics and the future outlook; market positioning; leading innovator, merchandising and turnaround chains; pricing strategies, purchasing and distribution; Wall Street and financing, and labor relations and minimum wage challenges.

Details and registration information are available from MUFSO director, *Nation's Restaurant News*, 425 Park Ave., New York, N.Y. 10022 (Phone 212-371-9400, ext. 282 or 283.)

LATE NEWSBREAKS

Red Lobster plans to open four test restaurants in Japan. A joint venture company formed by its parent General Mills Restaurant Group and giant Tokyo-based retailer Jusco Co. will own and run the restaurants.

Ponderosa is opening its first overseas restaurant in a London suburb. The company is also converting three Ponderosa steakhouses to Casa Lupita Mexican restaurants.

The struggle for control of Chock Full o'Nuts, the New York coffee shop chain, escalated as dissidents led by political figure Jerry Finkelstein revealed they hold more than 10% of company common stock. Story on Page 12.

A ruling by the U.S. International Trade Commission continuing duties on European sugar imports is expected to send sugar prices here spiraling upward. Story on Page 18.

Urge fight against tip bill

By Ken Rankin

WASHINGTON—Restaurant industry leaders are actively encouraging the nation's food-service workers to join forces with management in an effort to block pending Senate legislation requiring employers to report credit card tips to Federal tax collectors.

That proposal, part of a broader "Taxpayer Compliance Improvement Act" being pushed by Congressional Republicans in an attempt to trim the Reagan budget deficit, has already drawn heated opposition from food-service industry lobby groups.

Earlier this year, National Restaurant Association executive vice president Robert Neville told Senate Finance Committee Chairman Robert Dole (R-Kan.) that such an Internal Revenue Service tip disclosure requirement would "impose unreasonable record-keeping and reporting burdens on employees, compel employers to violate statutory requirements to file accurate returns and only duplicate data which IRS already has access to but has not utilized."

The proposal has also aroused stiff opposition from food-service employee union leaders who regard the tip income reporting mandate a slur on the integrity of the nation's waiters, waitresses, bartenders and other tipped workers.

Now—with the proposed tip disclosure plan gaining momentum in Congress—NRA officials are hoping to broaden the base of opposition by encouraging individual restaurant workers to join the protest.

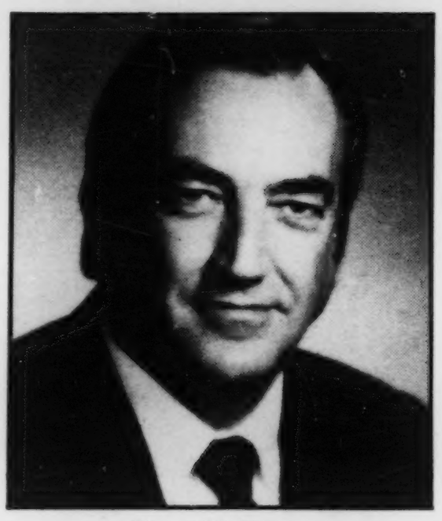
Stressing that "it is important to let employees know about the excessive requirements this legislation would impose upon them," the association is calling on its membership to post bulletin board notices urging individual workers to pressure their congressmen to vote down the controversial bill.

"Your employer would be required to report all tips shown on credit card slips and *tell*

(Continued on page 50)

Hardee's shifts execs to link command lines

ROCKY MOUNT, N.C.—Moving to clarify lines of command following the recent exit of marketing and operations executive vice president Robert "Bo" Batchelder, Jack Laughery, Hardee's Food Systems chairman and president, has made a series of executive appointments.



Spruill Bunn

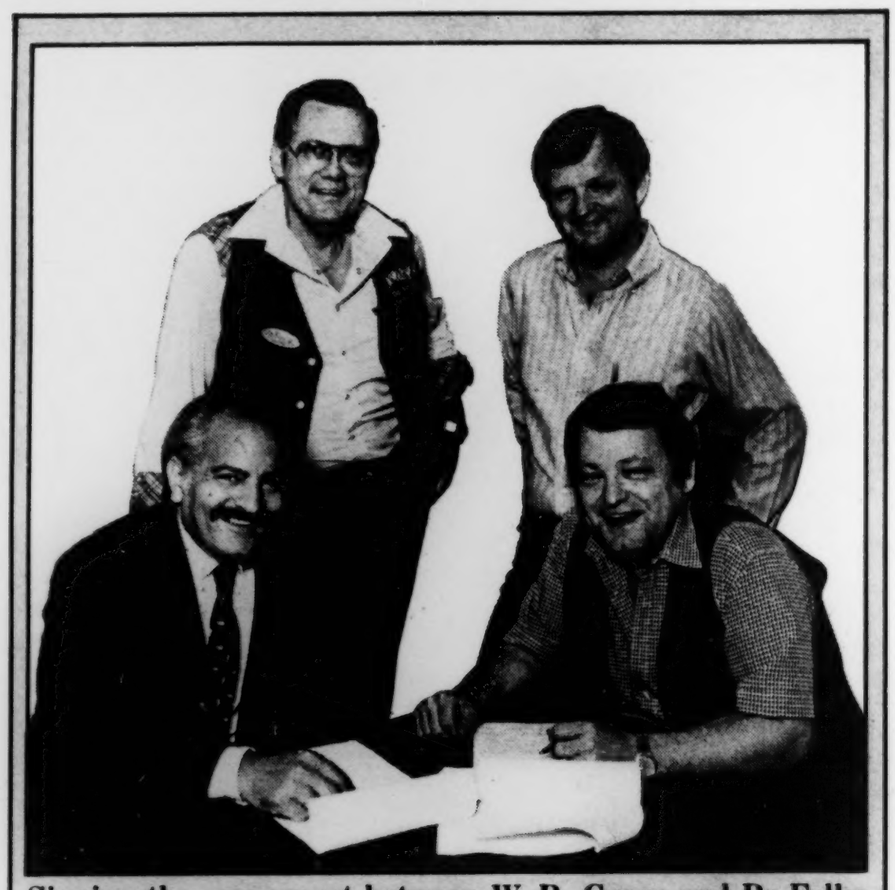
Most significant are new roles for Spruill Bunn as restaurant group executive vice president and Ronald Wertheim as senior vice president for marketing.

These changes and others appear, in addition, designed to give Laughery more day-to-day control over the merging of the Hardee's system with the recently acquired Burger Chef.

On the day Laughery "reluctantly"—according to a memo to employees—accepted the resignation of Batchelder, executive vice president for marketing, operations and development, he split some of Batchelder's responsibilities among two Batchelder subordinates.

Where Batchelder reported to Laughery on both marketing

(Continued on page 50)



Signing the agreement between W. R. Grace and Po Folks are: (l to r) Grace executive vp Anwar Soliman, Po Folks vp Roy Jones. vp Morris Dever and president Malcolm Hare.

Grace to convert five units to Po Folks

NASHVILLE—W. R. Grace has agreed with Po Folks Inc. to convert several Texas Jojo's, Coco's, and maybe a Del Taco to the Po Folks Southern-styled concept over the next year, according to a Po Folks official here.

The deal represents an expansion of the relationship which Grace and the 30-unit budget dinnerhouse chain developed with the conversion of a Del Taco restaurant in Warner Robins, Ga., earlier this year.

Morris Dever, Po Folks administrative vice president, said his firm would be paid "over $1 million, close to $2 million" as a licensing fee and would repay Grace's renovation investment from Po Folks' continuing share of the profits.

Dever said five Grace outlets had been earmarked for makeovers—three Jojo's, and one or two Coco's depending on whether a Del Taco unit was chosen.

The restaurants are in the Dallas-Fort Worth area and in San Antonio, Dever said.

Two conversions are due this year and three in the first half of next year, Dever said.

The seven-year-old Po Folks concept is based on deep-fried chicken and fish served in a fish-shack ambience.

With a per-person check average under $4, Po Folks units average about $1 million each in sales, according to company officials.

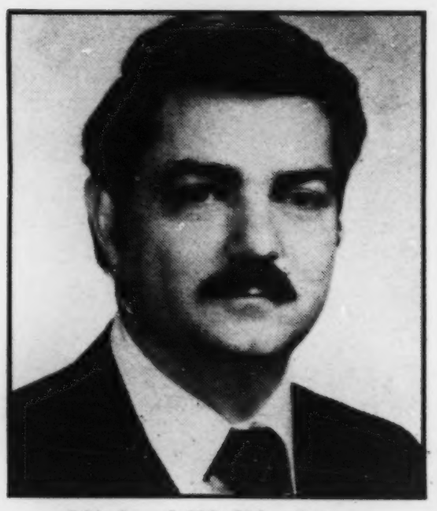
Anwar Soliman, president of Grace's restaurant group—who signed the agreement with Po Folks—could not be reached for comment. But a Grace corporate spokesman confirmed some details of the agreement.

Blackmon named Luther's chief

By Donald Frazier

HOUSTON—After months of acting as the head of Chart House's Luther's Bar-B-Que division, Michael Blackmon has been formally named division executive vice president and chief operating officer.

Blackmon, whose old title at



Michael W. Blackmon

Luther's was vice president, will oversee all operations and marketing for the fledgling concept, which now numbers 10 units, according to Chart House president William Hyde.

He succeeds Roger Kisiel, the former Hardee's executive who ran Luthers' for a short time before following former Chart House head Robert Luckey to Sambo's, where he serves as president and chief operating officer.

Blackmon's elevation comes at a time when Chart House is assimilating the lessons it has learned about the Luther's concept in the last year, and pondering its expansion through franchising.

Blackmon's duties at Luther's have focused on franchise sales and services. This mirrors his experience in the industry: before joining Chart House last November he was president of RTM, a Georgia-based Arby's franchisee.

Hyde attributed Blackmon's appointment to his "extensive knowledge of both the operating and franchising ends of the food-service industry." He added that Blackmon is "particularly well-suited to oversee the rapid expansion planned for both company-operated and franchised Luther's units."

The Luther's concept was acquired by Chart House over a year ago as a potential franchising vehicle complementary to its 378-unit Burger King division and its more than 100 dinnerhouses. Since then it has grown from two units to 10, with six more under construction.

Reeling from the loss of Kisiel, its first president, Luther's continued to search for viable franchisees in several Southeastern markets.

In a recent interview Blackmon said he has no definite plans for the chain's growth. But he did hint that the division stands at the brink of significant penetration into several major markets.

Popeye adding biscuits to menu

By Joe Edwards

JEFFERSON, La.—Made-from-scratch biscuits have been added to the menus in the 75 company-owned and operated Popeyes Famous Fried Chicken restaurants in the New Orleans, Atlanta, Houston and Memphis market areas.

The biscuits are served in place of rolls with all chicken dinners and boxes. They are also sold separately for 27¢ each. Dinner prices in some units have been raised about 10¢ to cover the additional costs.

In units where the biscuits have been in test for several months, total sales volumes have been "up considerably" without advertising, according to William Copeland, executive vice president. "We're looking for substantial incremental sales."

Average store sales for company-owned and franchised restaurants are about $600,000 a year on per-person check averages of $3.70, Copeland said.

Once considered a regional item which would not be popular outside the South, biscuits in the last two years have become an important part of the menu mix at Bojangles, Grandy's, Chicken George, Sisters and other chicken chains. Kentucky Fried Chicken, the fast-food chicken segment leader, is testing a biscuit program.

Other fast-feeders, including McDonald's and Krystal, have been testing and rolling out biscuits, too.

Popeyes' biscuits were in the experimental and testing stages for 15 months before the decision was made to roll them out in company stores by July 15, Copeland said.

"A lot of franchisees are very interested," Copeland said. "We get calls from them every day." About 235 Popeyes' res-

(Continued on page 49)

HIGHLIGHTS IN THIS ISSUE

6 Larger profits are slipping through the fingers of restaurant operators who are not spending enough effort on merchandising dessert, says *NRN* editor Charles Bernstein.

11 The trials and tribulations of the independent restaurant entrepreneur was the topic of a small business seminar held in Tampa, Fla., recently.

12 The battle for control of the New York City-based Chock Full o'Nuts chain took a new twist as the founder's daughter revealed her 6% stake in the company.

14 Wine & Spirits columnist Mort Hochstein interviews the manager of the successful Toledo Club, who tells how aggressive marketing of beverages has kept the operation in the black.

18 Sugar prices are expected to skyrocket following a controversial new ruling by the International Trade Commission.

28 The changing American lifestyle and its effect on the food-service industry was the subject of a recent program co-sponsored by the New York University Women's Foodservice Institute.

30 A North Carolina-based Hardee's franchisee copped first prize in Pepsi-Cola's ninth annual Most Valuable Promotion competition.

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FINANCIAL NEWS

Restaurant Associates continues on expansion course

NEW YORK—Restaurant Associates will log less net income this year than it did last—fiscal 1981 was its most profitable year ever—but its balance sheet is still getting stronger, encouraging a spate of current growth.

Chairman Martin Brody and president Max Pine told attendees of a recent stockholders meeting here that most attention would be paid to expanding the company's midpriced steakhouse concept, Charlie Brown's.

Thirteen Charlie Brown's are open. The first outside northern New Jersey opened in Yonkers, N.Y. in April. Another opens in Bradenton, Fla., this month and a third in Woodbury, N.J., in late summer. The Sarasota/Tampa area on Florida's west coast has been targeted as an expansion area for the concept.

The company officials called Charlie Brown's recent performance outstanding, reporting customer counts up 16% and profit up 75% for the first quarter of this year ended March 27. Unit sales on an annualized basis are about $1.2 million.

The executives said they were holding preliminary acquisition talks with several small dinnerhouse chains in new geographic markets. The company has a $7 million line of bank credit plus a $3 million cash surplus earmarked for acquisition and development.

The company is also working with Chicago's Levy Organization in a joint venture to develop on the East Coast a chain of stylish saloon's called Hillary's. The first Hillary's is under construction in Riverside Plaza, Hackensack, N.J.

Other major new Restaurant Associates operations include management of the National Press Club in Washington, D.C., operation of the Orchard Inn, a 100-room motel in Sturbridge, Mass., (leased with an option to buy), and food-service management at the West Side Tennis Club, Forest Hills, N.Y.

For 1982 the company will report a fall-off in income that does not really reflect its operations performance or its probable future profits, according to top officials.

For one thing, the company has been able to take an extraordinary item tax credit the last few years that will not be available in 1982.

In 1980 its effective income tax rate was 30%. In 1981 it was 38%. This year it's estimated at 46%.

In addition 1981 results were boosted by $783,000 of gain on disposal of facilities.

For the first quarter of this year Restaurant Associates reported a 66% drop in net income to $379,000. But income from regular operations, before gains on purchase of debentures and disposal of facilities, provision for income taxes and extraordinary items jumped 47% from the year-earlier period to $577,000.

For the year ended Dec. 26, 1981, net working capital (current assets minus current liabilities) had grown to $2.9 million from $2.5 million a year earlier.

Shareholders equity for the period grew by better than 8% to $34.7 million.

Long-term debt, meanwhile, fell from $10.2 million to $8.9 million and the company's debt to equity ratio shifted from 1 to 3 to 1 to four.

Despite its consolidation and concentration on profitable areas—dinnerhouses and newsstands—Restaurant Associates top men say the company still has some operations that are a drag on the bottom line. The executives hint that one or more of these may go on the block this year.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended June 18							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	4.38	4.13	4.38	.13	2.94	9.88	3.50	-1.08	.72	-2.22	-47.06	.47	-.48 S	-109.0	-5.0	4.3	NE	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	19.63	18.38	18.50	-.88	-4.52	20.88	10.00	.40	-.29	-2.58	-12.95	1.66	.41 N	26.2	34.0	6.3	9.4	.22	1.2	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	28.38	25.25	25.63	-2.38	-8.48	36.00	23.50	.26	-.36	9.05	.81	4.00	-1.13 S	-22.7	-1.0	1.5	6.7	2.00	7.8	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.38	5.00	5.00	-.38	-6.98	8.13	4.88	-.57	.17	-3.90	-15.22	.66	.13 S	22.0	-8.0	2.6	6.9	.12	2.4	06-08-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5.75	5.13	5.25	-.63	-10.64	6.50	2.88	-.22	-1.37	-2.84	6.83	.62	.16 Q	32.6	32.0	2.4	8.1	.00	.0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	22.75	21.75	22.00	-1.00	-4.35	27.00	17.75	-.20	.70	2.81	-3.84	1.60	.20 F	14.2	25.0	7.9	13.8	.40	1.8	05-10-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	2.13	1.50	1.50	-.75	-33.33	5.63	1.06	-.22	-4.15	-4.50	31.94	-3.33	-3.32 Q	NC	-67.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	16.00	13.25	14.00	-1.63	-10.40	17.50	9.88	-.16	-2.14	-.43	1.55	.59	.33 Q	103.1	24.0	4.3	21.5	.10	.7	03-08-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	8.00	7.75	8.00	.25	3.23	10.34	7.16	.46	.68	5.99	17.89	1.11	.21 F	23.3	9.0	3.2	7.2	.20	2.5	04-29-82	41.7	.9	.4	9.6	4	0281
Carrols Develop	CRL	5.50	5.00	5.00	-.13	-2.44	6.38	3.97	-.21	-1.25	2.56	-21.69	.86	.72 N	163.6	35.0	2.4	4.3	.09	1.8	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.00	18.63	19.75	-.13	-.63	22.88	15.25	.06	.70	-.07	11.86	2.03	.27 Q	15.2	14.0	5.0	9.7	.60	3.0	03-22-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	25.13	23.38	23.75	.50	2.15	26.88	15.13	.39	-.49	1.04	-37.74	.46	.32 N	88.8	35.0	14.1	34.9	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	13.38	12.13	12.38	-.88	-6.60	14.38	9.00	-.03	-.98	-.95	2.41	.66	-.36 S	-42.8	24.0	2.7	25.8	.40	3.2	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	29.50	26.88	26.88	-2.00	-6.93	33.63	25.00	-.17	-.53	.63	-22.57	3.52	.34 Q	10.8	18.0	10.8	7.7	1.00	3.7	04-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	2.88	2.75	2.75	.00	.00	3.63	2.50	.05	.83	-6.88	-17.09	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	17.25	14.50	16.88	2.00	13.45	17.25	10.31	.33	.74	1.09	-30.45	1.56	.63 N	41.4	13.0	2.8	7.8	.24	1.4	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	6.50	6.25	6.25	-.38	-5.66	10.13	5.25	-.08	.36	-4.13	-36.67	-.08	.12 S	NC	NE	-1.5	52.1	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	10.75	10.00	10.00	-.25	-2.44	11.00	7.25	.19	.71	1.34	-50.00	1.00	1.01 S	NC	21.0	3.2	9.9	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	25.75	22.75	24.63	1.13	4.79	26.75	14.75	.40	1.20	.08	33.86	1.97	.77 N	49.6	6.0	3.2	10.6	.64	2.6	06-04-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	15.50	14.88	15.50	-.13	-.80	17.94	11.13	.06	1.54	-.53	8.52	1.82	.26 S	15.2	19.0	8.3	7.9	.30	1.9	02-05-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	9.13	8.75	8.88	-.38	-4.05	10.50	5.78	-.01	-.03	-5.03	4.55	1.39	.73 N	63.4	14.0	3.0	4.7	.30	3.4	03-30-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	8.00	7.00	7.00	-1.00	-12.50	8.25	5.00	2.08	.65	6.35	15.38	.27	-.15 S	-19.7	-24.0	.7	11.5	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	2.00	1.75	1.75	-.25	-12.50	6.25	1.75	-.74	-.62	-1.46	66.67	-2.22	-3.88 S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	33.63	29.75	29.75	-3.50	-10.53	50.88	29.75	-.44	-2.01	3.23	30.12	4.22	-.04 Q	-.9	25.0	20.9	7.5	1.80	6.1	05-28-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	28.50	26.50	27.25	-.25	-.91	33.25	21.88	.30	-.20	3.39	5.56	3.66	1.12 Q	42.4	26.0	7.8	7.2	.80	2.9	06-10-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	41.25	41.25	41.25	2.88	7.49	48.75	33.00	.19	.70	3.73	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17.13	15.63	16.00	-1.00	-5.88	17.75	7.28	.33	-.07	-.69	11.15	1.05	.13 Q	14.6	30.0	2.7	15.7	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Hungry Tiger	HTIG	7.75	7.25	7.50	-.25	-3.23	9.38	6.00	-.21	.72	-3.42	56.14	.92	.14 S	16.6	42.0	3.2	7.7	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.75	1.63	1.63	-.13	-7.14	1.81	1.06	.33	-.17	-4.17	-17.50	.24	.00 F	.0	2.0	2.0	6.8	.14	8.6	02-24-82	8462.9	171.0	1.1	.7	2	1081
Intl Dairy Queen	INDQ	11.50	11.50	11.50	.00	.00	13.25	9.25	.35	.72	1.70	18.33	1.72	.23 Q	15.7	38.0	6.1	6.8	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3.13	3.00	3.00	-.13	-4.00	3.50	1.75	.14	.66	-6.30	1.98	-.65	.19 S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	6.50	6.00	6.50	.13	1.96	7.25	2.88	-.12	1.15	1.23	-20.24	.63	.31 S	75.6	-1.0	3.0	9.0	.16	2.5	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	20.88	19.75	19.75	-.75	-3.66	27.63	15.63	.52	.03	-2.05	-8.44	1.70	.27 N	17.1	22.0	5.6	10.7	.12	.6	02-01-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.50	3.75	4.13	.38	10.00	4.50	3.50	.60	-.82	5.63	-77.07	-.24	-.46 S	-575.0	-33.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	18.75	17.75	18.75	.75	4.17	19.00	10.75	.31	1.49	-1.16	-2.37	.89	.89 F	NC	126.0	8.1	21.1	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafe	LUB	27.88	26.75	27.13	.00	.00	32.00	23.50	-.25	.79	3.87	32.04	1.45	.25 S	18.9	23.0	9.1	17.3	.48	1.8	06-07-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	6.00	5.88	5.88	.00	.00	7.28	5.00	.26	.63	-5.57	2.87	1.15	.04 N	3.5	7.0	5.8	5.1	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	37.38	33.88	34.00	-2.50	-6.85	43.38	31.63	-.14	-.60	.15	-28.74	3.20	.55 Q	20.0	31.0	4.3	10.3	.30	.9	06-21-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	69.88	67.00	69.88	2.38	3.52	72.88	56.75	.57	1.02	-.75	-8.01	6.54	1.01 Q	17.6	18.0	10.7	10.4	1.20	1.7	05-24-82	2477.2	264.8	.5	23.0	34	1281
Morrison Inc	MORR	10.75	9.75	9.75	-1.13	-10.34	12.00	8.13	-.17	-.45	-3.23	2.94	.95	.15 N	16.6	7.0	3.9	9.3	.36	3.7	04-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.13	2.25	.00	.00	4.13	2.13	-.75	.76	-2.25	-16.81	.22	-.25 S	-500.0	-22.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.13	1.00	1.00	.00	.00	1.88	.63	.43	1.93	-.70	-69.15	-.87	-.42 N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	11.50	9.00	.37	.74	3.45	91.18	1.74	.04 Q	2.5	13.0	1.3	5.7	.32	3.5	03-11-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	6.88	6.25	6.63	-.38	-5.36	11.38	6.25	-.61	.13	-1.23	8.21	1.01	.12 S	13.4	25.0	5.4	6.6	.20	3.0	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	15.50	14.88	15.50	.63	4.20	18.25	13.50	-.15	.85	-2.10	-4.31	1.30	.14 N	10.7	15.0	6.1	10.8	.48	3.1	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.00	4.63	4.88	.00	.00	11.50	4.63	-.46	.76	1.21	-10.54	.50	-.02 Q	-3.5	-6.0	1.0	8.9	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	31.50	27.75	27.75	.50	1.83	32.50	18.00	.06	-1.35	-1.18	-28.51	.58	.54 F	350.0	81.0	7.2	47.8	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	16.00	14.50	15.25	.75	5.17	18.75	11.75	.03	-.49	.06	-44.37	2.01	1.42 F	240.6	8.0	2.4	7.6	.40	2.6	06-11-82	353.9	8.5	1.0	20.0	17	0282
Ramada Inns	RAM	5.13	4.50	4.50	-.63	-12.20	11.25	4.50	-.28	-1.47	2.07	6.68	.05	-.74 Q	-139.6	-21.0	.4	NE	.12	2.7	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	4.25	3.88	3.88	-.38	-8.82	7.88	3.88	-.43	-.84	-2.55	29.67	.97	-.14 Q	-15.3	51.0	2.4	5.0	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	26.38	23.88	25.00	-.50	-1.96	29.25	16.00	.13	-.22	.46	22.50	2.36	1.07 N	49.7	18.0	1.4	7.8	.56	2.2	05-17-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	8.88	8.38	8.63	.13	1.47	16.50	6.88	-.41	.82	-6.87	-5.57	.68	.08 Q	13.5	55.0	4.5	12.9	.00	.0	06-02-81	49.0	2.2	1.8	2.4	5	1281
Servico Inc	SRVI	8.75	8.00	8.00	-1.00	-11.11	13.00	7.00	-.30	-1.99	1.28	-13.56	1.69	-.51 Q	-30.9	78.0	3.5	7.0	.00	.0	00-00-00	126.4	4.4	1.1	56.1	6	1281
Shoneys Inc	SHON	17.25	17.13	17.25	.00	.00	18.25	11.91	.28	.84	-.45	-39.77	1.03	.25 S	27.1	21.0	5.5	14.7	.16	.9	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	10.00	10.00	10.00	.00	.00	13.66	8.50	.69	.71	5.81	-8.91	.94	.37 Q	217.6	32.0	1.4	18.5	.20	2.0	06-25-82	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.63	2.63	2.63	.00	.00	3.13	2.38	.50	.87	1.15	-46.88	.06	-.23 S	-79.3	-34.0	.5	43.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	6.50	6.00	6.00	-.50	-7.69	7.00	4.25	.77	-.46	-1.39	7.26	-.22	.18 S	NE	-23.0	-.9	150.0	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	8.13	7.50	7.88	-1.25	-13.70	11.25	6.25	-.82	1.37	-.47	-5.91	-1.85	2.11 N	NE	-32.0	-4.3	65.6	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Wendys Intl	WEN	16.25	14.88	15.13	.13	.83	19.00	12.25	.16	-.04	.19	-9.16	1.52	.14 Q	10.0	18.0	7.5	9.9	.28	1.9	05-11-82	490.4	36.9	.6	3.8	8	1281
Webb Del E	WBB	6.63	5.88	6.00	-.50	-7.69	12.00	4.88	-.41	-.09	-2.18	6.20	.56	.80 Q	NE	-24.0	1.3	9.7	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
CFS Continental	3 mos.	4/17			$241.814	15	$ 3.201	28
	6 mos.	4/17			556.430	17	7.061	29
Mr. Steak	3 mos.	3/28			14.636	8	(536,000)	
	6 mos.	3/28			28.251	5	(434,000)	
JB Restaurants Inc.	3 mos.	3/14			9.459	25	162,486	50
	6 mos.	3/14			18.961	26	488,770	52
Winners Corp.	3 mos.	3/31	$ 18.779	17			260,000	70
Sambo's Rests.	3 mos.	4/1	66.100	20			(10.800)	
Bob Evans	12 mos.	4/30	173.429	18			13.656	14
Collins Foods Int'l	12 mos.	4/30			299.413	13	9.632	31
	3 mos.	4/30			76.625	15	2.286	19
Shoney's Inc.	3 mos.	5/9			74.678	17	4.358	18
	6 mos.	5/9			160.747	18	9.290	28
Dunkin' Donuts	3 mos.	5/1			18.552	10	1.737	13
	6 mos.	5/1			36.361	10	3.351	14
Bonanza	3 mos.	3/28	86.400	9	5.900	10	(15,000)	
Danners Inc.	3 mos.	5/1	35.283	16			(429,743)	
Calny Inc.	12 mos.	2/27	36.979	11			1.184	27
Ponderosa	3 mos.	5/20			88.277	5	2.100	10
Hamburger Hamlets	12 mos.	3/28	31.610	11			971,886	40

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Dobbs Houses in no rush to franchise Toddle House

MEMPHIS—About a year and a half after it decided to revive its Toddle House concept (tiny 24-hour coffee shops), Dobbs Houses Inc. says it is still a year away from franchising and more rapid expansion.

Nine of the 42-seat restaurants are operating today. All are profitable, according to Robert P. Bryant, Dobbs Houses chairman and vice chairman of parent Carson Pirie Scott & Co., the Chicago department store operator.

Average annual sales are $365,000 and average per person check $2.83 at existing units in Connecticut, Maryland (2), Florida (2), Tennessee, Texas (2) and Virginia, Bryant said.

Twelve company-owned units are planned for the next year. The new units will go in the Washington, Houston and Gulf Coast areas.

New units are being redesigned to increase seating to 50-52 and to change the configuration of the shells to a narrower and deeper building that makes better use of the site pad, Bryant said.

The extra seating is needed to handle heavy breakfast traffic, he said.

When the company-owned units are up, franchised units will begin to join them in the Northeast and Midwest. These are areas "where our name is already well known," Bryant said.

He said the 1983 franchising date was exactly that indicated in the company's strategic plan when it decided to revive the Toddle House concept.

"They'll be ma and pa type franchisees," he said, "run by the people who own them."

Meanwhile, he indicated, he was trying to put together a pool of funds from which to offer franchisees long-term financing. "Conventional mortgages cost too much," he said.

The new Toddle Houses are manned by from one to six employees, cooking and serving customers from a central cooking area.

The modular units can be put together in-factory or on-site. Cost, either way, is about $350,000.

"We're beginning to favor on-site building," Bryant noted, "because, although it takes longer, we don't have to pay transportation costs."

On-site building takes 3-4 months; a factory-built installation can be completed in two weeks.

With a menu that ranges from eggs, waffles and omelets to sandwiches and burgers to chicken fried steak and veal parmigiana, Toddle Houses are looking for "the upper scale blue collar market," Bryant said.

He also commented, "We're looking for corner sites that are blue-collar in terms of neighborhood and blue- and white-collar in terms of impact—say down the street from a major hospital in a working class neighborhood."

The restaurant business is Dobbs Houses' third largest in sales, after airline catering and airport terminal food service. In 1980 and 1981 profitability of the air traffic-related businesses had fallen off and Bryant predicted increased profit contribution from the company's restaurants.

This has not actually happened, Bryant said. The company started a new contract food-service division this year and also has been picking up new airline accounts, Bryant said.

The company has, meanwhile, been cutting back its main restaurant concept, Steak 'n Egg Kitchens. Currently, 218 Steak 'n Egg Kitchens are in

Bryant said the closed Steak 'n Egg Kitchens were performing poorly because they were "in transitional neighborhoods."

He said the closings would improve restaurant group profitability.

Besides Toddle Houses and Steak 'n Egg Kitchens, Dobbs Houses operates a few Always coffee shops, one Garden Gallery, two Luau Polynesian restaurants and one Mississippi Co. restaurant.

Dobbs Houses is apparently under great pressure from Carson Pirie Scott which acquired Dobbs from Squibb Corp. for $100 million in 1980.

Carson's department store business has been flagging. Profits dropped 4.9% in fiscal 1981 on top of a 25.3% plunge the year before.

Carson chairman Carroll E. Ebert commented extensively on the company's dependence on Dobb's Houses earlier this month at the company's annual meeting.

"We don't want Dobbs to be a part of us, we want it to be Carson Pirie Scott," Ebert said.

"We can't really say we would sell the department stores, but . . . maybe we're in too many businesses."

Ebert revealed that through Dobbs' connections the company is seeking bids to manage resorts in the Houston area. It already runs resort conference centers in Nordic Hills and Indian Lakes, Ill.

"We're trying to meld Dobbs Houses into an integrated food and lodging company," Ebert characterized current strategy. "It gives us a new avenue of growth."

Moving the Carson/Dobbs combination into an airline catering, restaurant and lodging organization could eventually create a company similar to the Marriott Corp., according to some industry analysts.

The effort to revive Toddle Houses brings back a concept that was popular in the 1930's and 1940's. The original Toddle Houses had just 10 stools at a counter. They were also open 24 hours a day, featured waffles, hash browns and homemade cream pies and sported a slogan declaring them "as good as the best."

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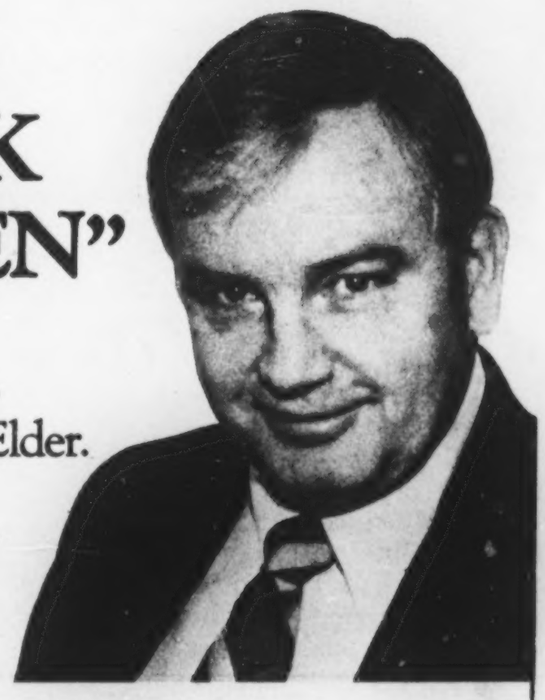

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NRN FOCUS

SECURITY

Theft by employees hits operators the hardest

(Continued from page 21)
over means they do "a lot of crisis hiring." Many applicants falsify credentials. "When they get in, they have a lower opinion of the organization because they put one over on you," Prestia maintains. Their next step is to steal from you.

Bob Curtis, another security consultant, markets a screening test that he says weeds out the "sociopathic types," the ones most likely to steal.

Joseph Taylor, an officer of a New York-based security firm, says food-service operators should perform extensive background checks on prospective employees: looking at information like public conviction records, interviewing former employers and neighbors and friends, following up on cited references and running credit checks through a bureau.

Laws regarding privacy in certain states, however, may prohibit some investigatory measures. This is especially true of the use of the polygraph, or lie detector. But it is used, increasingly.

Uses Polygraph

Fred Drachler, executive vice president of Bobby McGee's Conglomeration, a Western restaurant chain, says he has internal-security problems under control and cites the use of the polygraph as one reason.

"We will polygraph all new management recruits," he says. "We want to make sure they have the integrity we're looking for. It's just one more measurement, along with interviews and testing and references."

Drachler also says he refuses to be a reference for any former employee who has been caught stealing; and if a prospective employer of the thief calls, Drachler will tell about the theft. "If more companies did that, there'd be less problems in the industry as a whole," he says.

What actions do companies take when a manager, cook, cashier or accountant is caught stealing? Some actively seek prosecution in the courts, while others quietly dismiss the offender. Most try to get back what was stolen, but few are optimistic that they will succeed.

Tom Briggs, director of security for KFC Corp., believes in vigorous prosecution for felony thefts. He reports "terrific cooperation" from police and courts and says the company has recouped losses through court-ordered restitution, which is often a stipulation of probation. "We had a lot of success," he says.

Burger King's Schulgen agrees with this stand. "My contention is a thief is a thief. I'd like to put him through the court system and let the court do paybacks." Asked about his success, he says, "We get back money once in a while."

Others point out the difficulties in prosecuting internal theft, citing the relatively small amounts of money involved and the lenient attitudes of prosecutors, judges and juries. Because the amount a person is caught stealing is often small, prosecutors may not be interested in pursuing the complaints. To get a good case, says one consultant, you probably need to set up a suspected employee with market money.

The judicial system treats white-collar criminals too leniently, says Terry Foster, former director of security for Ponderosa. They often get "a slap on the wrist" and then go back to work again in the same kind of business, he says.

Ken Prestia advises restaurateurs and hoteliers to handle internal theft administratively and "never take it into the courtroom." He says jurors are unsympathetic toward corporations and look for reasons to acquit the people accused of stealing from them. "When it occurs, you may have a lawsuit on your hands," he says. "It's happened to me and it's just not worth the risk."

Some security people, like Gene Pridgen, director of risk management for Spartan Food Systems, operator of Hardee's and Quincy's, do handle the problems internally and report reasonably good success. In his stores, if a thief confesses, he is often allowed to keep working and pay back what he owes. "Most of the time it works quite well," he says. In other cases, depending upon the nature of the crime and the criminal, restitution is ordered through the courts.

Most often, though, restaurants either recoup their losses through claims on their fidelity insurance—which is like the bonding of their employees—or, if they decide not to pay the fidelity premiums, eat the losses. None of the restaurant chains contacted would reveal losses due to theft.

To prevent internal theft loss, security directors work with managers to establish systems and policies. These may be relatively simple procedures, like requiring employees to have packages checked on their way out of work, or making sure they don't have too-easy access to their automobiles during work hours.

Other controls involve the use of special equipment like computerized registers and the "talking key," a time-recorder lock that prints out on paper the time, date and identifying number of the person whose key opened the lock to the restaurant.

Areas inside restaurants that managers have to watch most closely depend upon the type of product sold. A restaurant that sells a lot of high-priced foods like steaks and lobsters, for instance, might pay more attention to backroom policies. But, if the food in the freezer doesn't have a high resale value, the main drain on the business is likely to occur at the point-of-sale—the cash register.

Cashiers can avoid ringing up sales or ring up portions of sales and then pocket the money, or they can give away merchandise to friends for free or at reduced prices.

"The main thing is to make people responsible for the money they handle, whether it's the girl controlling the register or the manager," says Mike Schulgen. "Your mysterious disappearances start to subside" if you do, he says.

Some stores and chains contract for shopping services to keep eyes on their employees. Shoppers make purchases in stores, observe how the employees handle the cash and merchandise, and then write reports on what they've observed. When a thief is found out, the company can decide how to confront him and whether to prosecute.

Ken Walker, director of security for Host International's Eastern region, makes a point of telling his employees that shoppers are being used. This not only controls theft, he says, but monitors effective salesmanship. "We use it to pat our good people on the back. It's a heck of a good morale tool."

One device that effectively monitors the movement of money and merchandise is the computerized register. KFC uses these registers, says Tom Briggs, and they provide a continuous inventory of food. "Any loss of product shows up immediately and that triggers management response," he says.

"The only way to know what you're losing is to know what you have and know where it goes," says Emil Monda, director of security for Burger Chef Systems.

The more frequent the inventory the better. Gene Pridgen says Spartan Foods requires major inventories once a month and minor inventories once a week. Some operators do surprise audits of inventories. Others require small inventories at the end of each shift. Fred Drachler of Bobby McGee's says managers count steaks when they come on duty and again when they leave. At the end of each night all items sold are checked against inventory issue sheets. This reconciliation takes an hour every night, but he feels "it's an hour well spent."

Even with inventories, losses of product are sometimes hard to determine. What appears to be pilferage, says Emil Monda, may be waste of merchandise, improperly handled employee meals, or some accounting problem.

That difficulty in pinnning down theft loss is probably one reason why it is often under-reported, businessmen believe. "Our loss in pure dollars I don't know," says Lee Winckler, safety and security manager for Dobbs House Inc. "We look at a shrinkage rate based on food cost, but shrinkage is due to a number of factors; theft is just one factor."

Much product theft occurs before it even reaches the freezers. Bob Curtis says restaurants have "a severe back door problem." Often a dishonest cook or dishwasher will team up with a dishonest trucker to steal large quantities of food, he says.

Consultant Joe Taylor believes chain restaurants lose a lot of product in transit between the warehouse and the backroom. He says undercover people can be used to expose these thefts.

(Continued on page 28)

Statistics indicate sources of restaurants' fire losses

Recently released statistics show that there were more than 16,000 restaurant fires in 1980, resulting in property losses of over $150 million.

The statistics are estimates based on data collected by the National Fire Data Center in Washington.

The specific figures, according to the center, are 16,227 fires and $156,745,000 in property losses. The fires resulted in an estimated 262 injuries and 49 deaths.

These figures indicate that fires are still a major security concern of restaurants.

The following table classifies the reported fires according to their causes, and shows the percentages of fires, injuries and property losses that can be attributed to each cause.

LEADING CAUSES OF RESTAURANT FIRES

Cause	% of Fires	% of Injuries	% of Property Loss
Heating	5.3	12.4	4.5
Cooking	36.7	34.6	20.4
Arson (Suspicious Origin)	19.2	23.5	33.3
Smoking	6.1	0.0	6.2
Electrical	9.1	4.9	7.7
Appliances	4.8	3.7	1.8
Children Playing	0.6	1.2	0.1
Other Equipment	4.6	3.4	3.7
Exposure (From Source Outside Restaurant)	1.7	0.0	3.7
Natural (Lightning)	0.9	4.9	0.8
Open Flame or Heat	2.3	4.9	0.9
Other Flame or Heat	1.4	1.2	0.8
Unknown Cause	7.3	4.9	16.1

Source: National Fire Data Center, Washington

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PROFILE: HANS PRAGER

Restaurateur puts accent on service—Page 21

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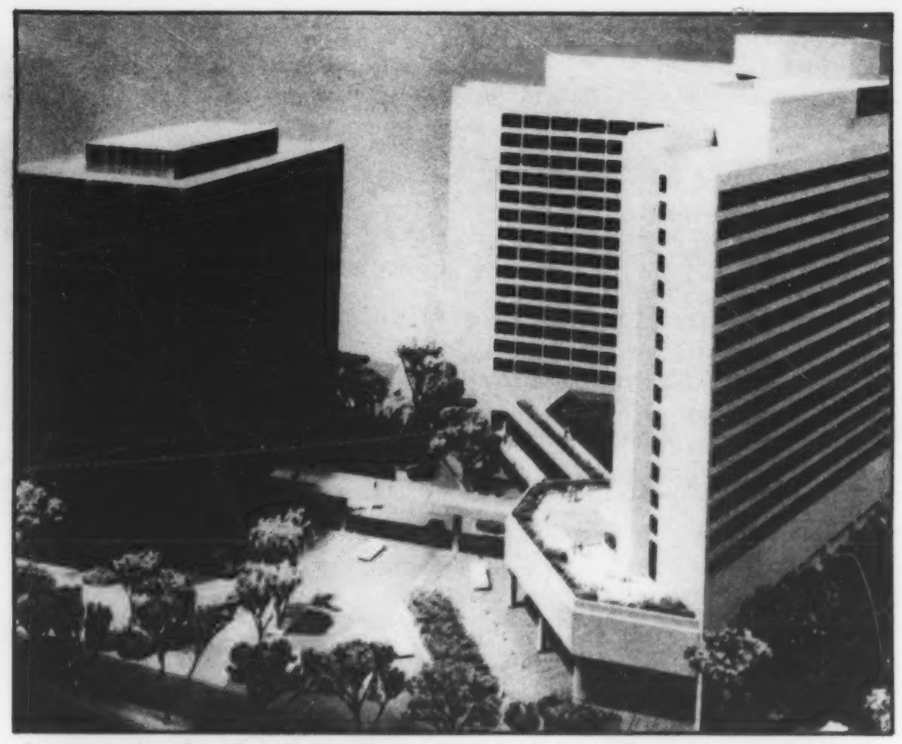


A surge in the development of new airport hotels—such as the just opened 615-room Hyatt Regency Crystal City near Washington, D.C. National Airport—is being fueled by increased consumer interest in the conveniently located facilities.

Senate probes labor union for alleged mob connection

Union leaders deny charges

By Ken Rankin

WASHINGTON—The Hotel and Restaurant Employees Union is so "completely dominated by organized crime" that it's questionable whether the nation's food-service workers will ever be able to oust the "hoodlums" in charge of their labor movement, U.S. Justice Department investigators charged.

Some of the labor leaders named have responded with accusations of their own, hinting a spate of current labor probes are a vendetta on the part of Federal and local officials.

The latest allegations of corruption, racketeering and Cosa Nostra control over the 380,000-member international restaurant employees union surfaced during a new series of Congressional hearings designed to measure the extent to which organized crime has infiltrated the nation's largest food-service labor organization.

The answer to that question—from both Federal and state law enforcement officials who testified before the Senate Permanent Subcommittee on Investigations late last month—indicates a pattern of syndicate influence over the union's leadership that extends from the organization's international headquarters to a majority of restaurant worker "locals."

Concurrent with the Senate subcommittee hearings are parallel probes of the union's activities by the Federal Bureau of Investigation, the U.S. General Accounting Office and a variety of state and local law enforcement agencies.

Significantly, these investigations are only the latest in a

(Continued on page 73)

Airport hotels soaring above cloudy economy

By Joe Edwards

Once considered a place to stay only if unfortunate circumstances dictated it, airport hotels have been attracting hordes of willing guests by offering upgraded food service, expanded meeting spaces, attractive amenities and facilities, and lower rates than their downtown counterparts.

By all accounts, airport hotel business is booming. Major chain operators are building new hotels and upgrading and expanding facilities at major airports in New York, Atlanta, Washington, Dallas-Fort Worth, Los Angeles and other cities.

One main reason for this surge in airport hotel development is increasing consumer interest in such properties, as evidenced by an occupancy rate of 72.4% in the first three months of this year. That figure is well above the 63.3% occupancy rate for all hotels and motels, according to Laventhol & Horwath, an accounting firm which tracks the industry.

That high occupancy rate for airport hotels in the first quarter is only part of the story. The top 34 airport hotels last year reported a median annual occupancy rate of 80%, led by two Holiday Inns at airports in Miami Springs and Los Angeles which reported 96% occupancy rates.

The lodging industry's top performing hotel in terms of room sales in 1981 was the Ramada Inn at Chicago's O'Hare International Airport, according to *Lodging Hospitality* and Laventhol & Horwath.

(The recession has taken its toll at airport hotels, however. Occupancy in the first quarter of this year is about the same as it was in the same period in 1981, and the Holiday Inn at the airport in Los Angeles now reports an occupancy rate of about 92%.)

For hotel developers, airport sites are among the most desirable because they are cheaper to build and enjoy a multiple demand, attracting airport travelers, motorists from highways and guests from nearby shopping complexes, office buildings and suburban neighborhoods.

It is no surprise, then, that

(Continued on page 74)

Quaker sells Magic Pan division

CHICAGO—Quaker Oats Co. has sold its troubled San Francisco-based Magic Pan restaurant division to a group of investors, identified as Bay Bottlers Ltd. of Oakland.

The new Magic Pan International Inc. will include 89 of the restaurants. A seven-month search for a buyer ended when an agreement to purchase was signed June 18, beginning an escrow period scheduled to close Aug. 31. Price and terms were not disclosed.

The buyers, whose identity was revealed in a Mailgram from Magic Pan president James J. Durkin to unit managers, are rumored to have extensive experience in motels, hotels and restaurants. They were busy investigating the conditions of leases on the Magic Pan properties and notifying landlords following the agreement.

In San Francisco, the mood of Magic Pan management was "very positive," according to marketing vp Tim Ryan, who said the buyers' infusion of capital and "more aggressive stance in terms of food service" were encouraging.

Quaker announced that two restaurants would close in the interim as leases expire. The sale includes three of the division's four Proud Popover units; the fate of the fourth was uncertain. Quaker showed a $20.3 million special charge against income in the fourth quarter ended June 30 on the sale of the nationwide chain.

Quaker had announced as long ago as last November that Magic Pan was a candidate for divestiture. The chain's revenues for fiscal year 1982 ended June 30 are estimated at $77 million, about 2% of Quaker's total sales. The restaurants will show a $6 million loss for the year, according to a Quaker spokesman.

Sales for fiscal 1981 were $83 million, down from $88 million in the preceding year.

Magic Pan president Durkin said that the new owners regard the existing chain operations as a "strong core business" for their intended operational strategy, but he indicated that changes are likely.

"We must look at [the Magic Pans] on an individual basis," Durkin said. "If the real estate is good, but mismatched to the

(Continued on page 73)

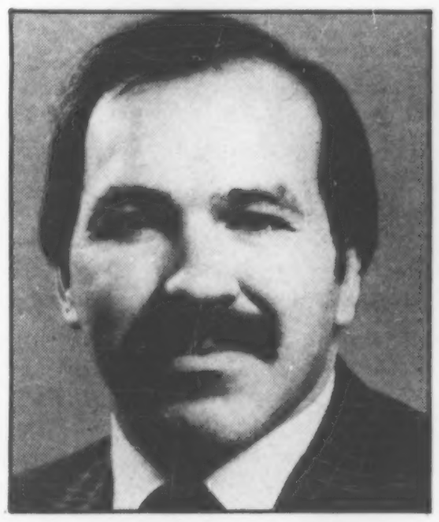
LATE NEWSBREAKS

Holiday Inns is building a second Harrah's Atlantic City hotel-casino in a joint venture with the New York-based Trump Organization. A 1984 opening is slated for the $200 million Harrah's Boardwalk facility, which will be adjacent to the Convention Center.

Wienerschnitzel International, Newport Beach, is following its conversion from a hotdog menu emphasis to a hamburger concept image with tests of a $1.29 croissant breakfast and $1.59 fried chicken sandwich. Story, page 26.

Jack-in-the-Box, 790-unit San Diego-based fast feeder, has roiled out three new meal-sized salads: a chef's salad, a taco salad and a chicken salad. Each sells for $2.19. Story, page 53.

Tony Roma's, Miami-based operator of 26 barbecue ribs restaurants, will open its second drive-thru, takeout unit in September in Deerfield Beach, Fla. The new unit will include indoor seating this time. Story, page 14.



Richard A. Niglio

Terrance Collins

Niglio replaces Collins as Victoria Station ceo

By Richard Martin

LARKSPUR, Calif.—Terrance Collins has resigned as Victoria Station's president and ceo in a dispute with the VS board of directors over the company's future course. The board immediately named Richard A. Niglio as Collins' replacement as chief executive when the resignation takes effect Aug. 1.

Niglio, 39, has been vice president and general manager of the fast-food (Mr. Donut) and restaurant division of Minneapolis-based International Multifoods for several years.

Collins' resignation, little more than a year after signing on with the troubled chain, took many company officials and shareholders by surprise. Victoria Station had just released fiscal 1982 figures showing the company's first annual profit since 1979.

Speculation centered on differences over Collins' proposed conceptual realignment of the railroad-themed dinnerhouse chain as the basis for the upheaval.

The board "clearly did not" vote to ask for Collins' resignation, senior vp and chief financial officer Robert A. Gunst told *Nation's Restaurant News.*

(Continued on page 74)

The 1982 Golden Chain winners: (l. to r., top row) Charles Bradshaw, Trans World Corp. food service vp; Norman Brinker, Burger King chairman and Pillsbury restaurant group president; Robert Bryant, Dobbs Houses president; (middle row) John Cauley, Friendly Ice Cream president; Vern Curtis, Denny's president, and (bottom) William Edwards, Hilton.

Six named MUFSO Golden Chain winners for 1982

NEW YORK—Six presidents of leading chains and restaurant groups have been selected as *Nation's Restaurant News'* Multi-Unit Food Service Operators (MUFSO) Golden Chain winners and as the candidates for MUFSO man-of-the-year.

Chosen by a recent vote of last September's MUFSO conference panelists and speakers are 1982 Golden Chain winners Charles Bradshaw, Trans World Corp. food service senior vice president (including Canteen Corp.) and Spartan Food Systems chairman; Norman Brinker, president of Pillsbury's new restaurant group as well as Steak & Ale and Burger King chairman; Robert Bryant, Dobbs Houses president and parent Carson Pirie Scott vice chairman; John Cauley, Friendly Ice Cream president; Vern Curtis, Denny's Inc. president, and William Edwards, Hilton's hotel division president.

The MUFSO man-of-the-year, the chain executive who is felt to have done the most for the food-service industry, will be selected by vote of *Nation's Restaurant News'* readers.

Awards will be presented to the six Golden Chain winners and to the man-of-the-year at *NRN*'s annual MUFSO awards banquet in the Washington Hilton Tuesday evening, Oct. 26.

Last year's six Golden Chain winners, hailed at the awards banquet in the New Orleans Fairmont Hotel, were Gene Bishop, Morrison Inc. president; Ray Danner, Shoney's Inc. president; Jack Goodall, Foodmaker president (Jack-in-the-Box); Ernest Renaud, Long John Silver's president; Mike Rose, Holiday Inns president, and Howard Varner, Host International president.

Further details on the upcoming Oct. 24-27 MUFSO program and registration information can be obtained from Ilene Stargot, MUFSO coordinator, *Nation's Restaurant News*, 425 Park Avenue, New York, N.Y.

Las Vegas bites recessionary bullet

By Rurick Telberg

LAS VEGAS—This gaming capital is feeling the effects of prolonged recession for the first time since gambling was legalized, depressing both hotel occupancy rates and restaurant traffic.

"Hotels are the biggest business here, and it's got to dribble down to everything else," said Mark Euffa, manager of the 385-seat Alpine Village Inn restaurant.

"Usually with a recession, like the one in '64, we never feel it," he said. "But this one has gone on so long I guess we're not immune anymore."

"The economy, in terms of tourist travel, is basically flat," said Charles Fleming, manager of the Greater Las Vegas Chamber of Commerce, "and that's in an economy that's used to 5% to 10% growth a year."

Unemployment is pacing the national average at about 10%, caused mainly by a decline in occupancy at the hotels of seven percentage points to 71% in the first quarter.

Convention traffic is weak, pushing the bottom line of chains like Hilton Hotels downward. Horn & Hardart recently all but shut down its Royal Americana after an investment of over $20 million. But the casi-

(Continued on page 73)

Ramada adds 3rd line serving midpriced market

By Charles Forman

PHOENIX—Ramada Inns is adding to its hotel group's arsenal of Inns and Renaissance properties a third class of lodgings, designed to serve midpriced markets in medium-sized cities and at airports.

Called Ramada Hotels, the first units of the new concept opened last month in Peoria, Ill., and Troy, Mich.

The 18-story unit in downtown Peoria, population 150,000, has 185 guest rooms and two restaurants. It actually represents the repositioning of an earlier Ramada unit, after a $1.2 million renovation.

Other new hotels will have upward of 200 guest rooms; the 24-story Troy unit has 220.

Before the end of the year Ramada Hotels are scheduled to open in Rockville, Md.; Minneapolis and St. Paul; Orlando; Houston; San Francisco; Toronto; Memphis; Falls Church, Va., and Culver City, Calif.

Company plans call for 50 Ramada Hotels by the middle of next year and a total of 110 by the end of 1985.

The new units will be mid- and high-rise properties. They will have more meeting space and recreational facilities than Ramada Inns and offer expanded hours for room and bell service.

The new Hotels classification will give Ramada three distinct rate groups in some markets,

(Continued on page 74)

Reynolds buys two bagel units

By Rurick Telberg

WINSTON-SALEM, N.C.—R. J. Reynolds, diversified parent of Del Monte and Service Systems, has purchased two Skolnik bagel restaurants in the southern New Jersey suburbs of Philadelphia.

Reynolds officials say they have not finalized plans for development of the concept, but they are known to be searching for a president to get such development off the ground.

"We're looking at this strictly as a venture," commented Mike Traphagan, a spokesman for R. J. Reynolds. "We haven't made up our minds on it."

Except for a public restaurant operated by Buffalo-based Service Systems, R. J. Reynolds operates no business similar to Skolnik's, Traphagan said.

R. J. Reynolds purchased the restaurants from the estate of the deceased founder who had opened the first one a year and a half ago at the Montgomery Mall. The other Skolnik's is at the Court Mall in King of Prussia.

Skolnik's offer 10 kinds of bagels and eight spreads for both sitdown and take-out eating. A dozen bagels by the bag, for example, sells for.

Tony Zúffuto, until recently on the corporate planning staff of R. J. Reynolds Development Corp., was named director of new business to operate Skolnik's.

R. J. Reynolds Development Corp. is a subsidiary of R. J. Reynolds Industries Inc.

Village Inn discloses plans to go public

By Joe Edwards

DENVER—Village Inn Pancake House says it is about to go public, adding its name to the growing list of private food-service companies which are raising cash through public stock offerings.

An offering will be made sometime within 90 days, the exact date depending on market conditions, a Village Inn spokesman said in late June. The cash raised through the offering will be used "primarily for expansion purposes," he added.

In a message in the company's annual report for fiscal 1981, company executives hinted that a public offering was in the works.

"Our restraint in the development of new units caused a measurable increase in our effective tax rate by limiting the amount of tax credits generated by new development," the message said. In fiscal 1981, pretax income rose 29% but net income was up only 6%.

Village Inn, a family restaurant chain specializing in pancakes and other breakfast items, has 188 restaurants in 26 states. Unit expansion has been very modest lately with the company adding fewer than 10 new restaurants a year in recent years.

Of the 188 Village Inn units which will be operating by the end of the current fiscal year Oct. 25, 58 will be company-owned and the rest franchisee-operated.

Village Inn is projecting a 20% increase in net income to $2.3 million on a 20% rise in revenues to $50 million for fiscal 1982. Systemwide sales are expected to climb to $140 million, up from $117.4 million in fiscal 1981.

Since early 1981, there has been a rush by private food-service companies to go public. Industry analysts and the companies involved have cited several reasons, primarily the restrictive costs of borrowing money.

Going public is seen as the easiest way for companies to raise cash to finance unit expansion. Among companies that have made public offerings in the last 18 months are Godfather's Pizza, Garcia's, Pizza Ventures, Big Bite Inc., Kelly-Johnson Enterprises, Skipper's and Pizza Time Theater.

HIGHLIGHTS IN THIS ISSUE

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COMMODITIES

Pork hits all-time high; Feed grain prices drop

Pork is in the news. In the final days of June, the red meat hit an all-time high for the year of $1.29 per pound at the Midwest slaughter houses for large loins (14-17 lb.). The price fell off quickly by four or five cents, but the runup quotes were based upon news that farmers had reduced their pig inventories by 13% over last year.

While this news shot prices up, they did not hold at that level because demand for pork had weakened over the previous several weeks that it had climbed above the "magic" $1.10 level. When consumer demand in the supermarkets and butcher shops falls off, pork, even with smaller numbers being slaughtered, backs up in the pipeline and food-service operators get the benefit of temporary dips in the market prices. This is what we refer to as "yo-yo" action.

Beef also had a runup, because price hikes in beef traditionally follow price hikes in the competitive pork. This time, however, the beef prices decayed before those of pork, and at the end of June, beef was hovering in the $1.06-$1.07 levels. One of the contributions to the rise in pork prices was the concurrent problem of Denmark with hoof and mouth disease, which caused the U.S. Department of Agriculture embargo all Danish pork until late in June (and negotiations are still going on at the time *NRN* goes to press). Danish pork does not amount to a great deal of the American market, but with domestic pig inventories down 13%, any other drop in pork supply is quickly felt.

Another side to the pork picture is the small increase received by farmers for their pigs when the market jumps by over 12% in price in a month. In that same time, the increase in price paid to the farmer for a carcass at the slaughterhouse was only a little over 3%. The market for hogs is now about $60 per hundredweight, a level at which most farmers find they can make a small profit on raising the animals. But it takes time for the wary farmer to launch into large scale production again; on the basis of an increase that might be momentary. The carcass price will have to stay at or above $60 for a couple of months before the farmers change their intention to reduce inventory.

In this month's "Price Movement at a Glance" chart, we have tracked four of the important feed grains which affect the supply of beef, pork and poultry. The feed grain situation this year is excellent. Although June rain in the winter wheat areas slowed down harvesting and might have caused some damage, th supply of this year's harvest should be up about 1.6%. There have been good crops in Canada also. While Russia has had the fourth poor crop year in a row, the present administration's "hard line" on trading makes it unlikely that large quantities will be exported to drive the price up.

In general, prices of all grains except hard winter wheat have come down over the past year. Further drops are liekly through tot he end of the year if the U.S. Department of Agriculture estimates are borne out. Soybeans will be affected by the big Brazilian crop of last season, which has depressed the world market to some degree. One unknown is the Chinese appetite for American wheat. One large order has already been placed in the United States and analysts are waiting to see if this heralds the beginning of a major Chinese wheat acquisition.

Low grain prices ar responsible for the poultry industry being able to sell profitably at prices nearly 18% lower than last year at this same time. As long as feed prices stay down, the prices of broilers will tend to remain below year earlier levels.

The apricot crop in California is up by about 16% over a very poor 1981 crop. . . . Lamb and mutton have profited by the high prices of beef and pork; lamb and mutton slaughter is up by 5% so far this year. . . . The National Academy of Sciences recent report on the affects of salt and fat in the diet upon the tendency for cancer was poorly supported by new testing evidence, but will probably affect the dietary habits of many customers.

PRICE MOVEMENT AT A GLANCE

	June 25, 1981	May 25, 1982	June 25, 1982
Beans, pinto dry, Colorado (cwt.)	$43.50-44.00	$15.50-16.00	$15.00
Beef, Choice 700-900 lb., Midwest (lb.)	$ 1.12	$ 1.14	$ 1.075
Broilers, Grade A, icepack, NYC (lb.)	$ 0.5999	$ 0.4818	$ 0.4939
Coffee, Arabica, green beans, NYC (lb.)	$ 1.15	$ 1.38	$ 1.42
Pork loins, 14-17 lb., Midwest (lb.)	$ 1.07	$ 1.165	$ 1.25
Shrimp, canned, small 24/4-½ oz.)	$33.00	$34.00-35.00	$36.00-37.00
FEED GRAINS Corn, #2 yellow, Illinois (bu.)	$ 3.035	$ 2.60	$ 2.565
Sorghum, #2 Gulf (cwt.)	$ 5.67	$ 5.25	$ 4.68
Soybeans, #1 yellow, Illinois (cwt.)	$ 6.605	$ 6.305	$ 6.13
Wheat, #2 hard, Kansas City (bu.)	$ 4.19	$ 4.1075	$ 4.145

Source: NRN Research

Prices listed are packers' f.o.b. plant, unless specified and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

This Tequila Willie's' high sales figures has made it one of Grace's hottest properties.

El Torito plans rapid growth for thriving Tequila Willie's concept

By Richard Martin

MANHATTAN BEACH, Calif.—El Torito, rapidly moving ahead with expansion of its Tequila Willie's concept, has opened one of the new units here and the Mexican cantina-style restaurant is racking up sales figures which place it among the highest grossing operations in W. R. Grace's food-service fleet.

Billed as a saloon and grill, Tequila Willie's did a reported $565,000 in sales its first month out, with volume stabilizing at 80% of that figure in its next two months of operation. Company officials place liquor sales at a hefty 65% of total business thus far.

The hybrid menu, which includes deli sandwich and soup combinations at lunch, as well as ribs, seafood and stuffed potatoes, is priced to bring in an average check of $6.08 at dinner and about $4.50 at lunch. Peak-day averages are about 1,200 dinners and 500 lunches, with week-day levels lower by about 30%.

Because of the demographics of this coastal suburb of Los Angeles, the slant in layout and design of Tequila Willie's has been toward bar sales. Of the 510-seat capacity, 385 are allocated to liquor service areas. El Torito officials figure this ratio is right for the young, professional population base here. The same is thought true of the Sacramento and West Palm Beach, Fla., markets where Tequila Willie's are opening.

Located in the new Manhattan Village mall complex, the 14,000-sq.-ft. restaurant (9,600 sq. ft. indoors) opened in April at a cost of $3.5 million. Resembling a typical El Torito unit on the outside, the interior space incorporates mostly nonethnic flourishes—weathered brick, neon, oak and brass—for an overall effect that is almost gaslamp Victorian in a frontier setting.

The first Tequila Willie's was a conversion of a one-and-a-half-year-old El Torito in Dallas about eight months ago. Company sources report some problems there in adjusting the menu to regional tastes. Sales are reportedly averaging $170,000 a month, 55% of that in the bar.

The Manhattan Beach design is the prototype for five other units, including restaurants in the Detroit area and Denver, opening this fall, and the Sacramento and Florida stores just now opening. The fifth, in Tucson, Ariz., opened about two months ago.

El Torito vp and chief financial officer M. M. Casey indicates that 30% of all future El Torito units will be Tequila Willie's. Although conversion of some existing El Torito outlets to the Tequila Willie's concept has meant an increase in unit sales, Casey said, future TW's will be new construction since "the whole approach is integrated, difficult to accomplish in a conversion."

In the Manhattan Beach TW, four different bars serve as focal points for theme areas, each with its own atmosphere and identity. The main bar, an L-shaped loop with Victorian trappings and seating for about 50.

In an adjoining room with high, brick-faced walls and a skylight is the Bourbon Street bar, which includes a raw bar for appetizer service of crab legs, clams, oysters and shrimp at market prices.

A neon sign announces "Our famous Chili & Steak Taco Bar," a small liquor bar along the back wall of the main barroom, with a grill for Mexican ap-

(Continued on page 74)

N.Y.C. steakhouses: new advertising war

By Joe Edwards

NEW YORK—Highly competitive upscale Manhattan steakhouses have started another war of words with the placement of costly full-page ads in *The New York Times*.

These latest ads, placed by The Assembly, Nickels and Joyce's, are less pugnacious than some of the steakhouse ads which have appeared in the past, concentrating on food quality rather than taking potshots at competitors.

The Assembly's ads, which are part of a fresh-food campaign that's been running off and on for months, feature owners Brad Ossip, Jerry Ossip and Bal Golden shopping for fish, vegetables and fruit at various markets in New York.

Situated in Rockefeller Center in midtown, The Assembly has adopted the slogan, "More Than A Great Steak House." Earlier this year, co-owner Golden explained that even longtime steakhouse customers are opting for lighter entrees such as veal, chicken and seafood.

Cost pressures also are factor in upscale steakhouse operators' decision to push nonbeef items. The price of prime beef is so high that even with menu prices of $20 or more for a 1-lb. sirloin, food costs are more than 60%.

Nickels, a newcomer to *The Times*' pages, uses the line "It's rare to find a steak that's done well." The Upper East Side restaurant claims to serve "the finest prime steaks in New York." Nickels' ads also list seafood, chicken and veal dishes.

Joyce's, situated on the east-side in midtown near other upscale steakhouses, is advertising itself as both a seafood and steak restaurant.

In the past few years, *The Times* has been the forum for sometimes heated advertising by upscale steakhouses. Operators have claimed that their steaks are better quality or less expensive than the competition's.

Among the leading upscale steakhouses in the city are Sparks, Pen and Pencil, U.S. Steakhouse, The Palm, The Assembly, the Post House, Smith and Wollensky, Christ Cella and The Cattleman.

Full-page ads in *The Times* cost between $12,000 and $17,000 each, depending on placement, according to one estimate.

Taubman moving A & W's headquarters to Detroit

SANTA MONICA, Calif.—The new owner of A & W, one of the oldest names in the industry, plans to move the operation's home office to his headquarters near Detroit by the end of the year, a spokesman for the restaurants said.

A. Alfred Taubman, the shopping mall developer who bought A & W from United Brands earlier this year, hopes to strengthen his personal control over the 900-unit drive-in chain, the source said.

Taubman, whose home base is Troy, Mich., is one of the most important shopping mall developers and managers in the country.

He is expected to hasten the research and development of a new concept for A & W restaurants which has been in a holding pattern for the last several years as United Brands searched for a buyer. Two test units are in his malls.

He is also expected to name as president an executive with broad experience in franchising.

FINANCIAL NEWS

BK unit sales stagnant for 2nd straight year

MIAMI—For the second straight year, Burger King reported an average unit sales growth of less than 5%.

Taking into account menu price increases of about 4% for the past year, Burger King's sales growth has remained virtually stagnant.

For the fiscal year ended May 31, average unit sales were $751,000, compared to $728,000 a year ago. Between fiscal 1980 and 1981, unit sales grew by only $18,000.

By fiscal year's end, BK operated or franchised a total of 3,255 restaurants worldwide, up from 3,022 the year before.

Systemwide sales rose from $2.1 billion to $2.35 billion, the Pillsbury subsidiary said.

The latest sales figures throw in doubt Burger King officials' repeatedly stated goal of catching up to the store volumes of its archrival McDonald's, now about $1.2 million, within two or three years. And the No. 3 burger chain, Wendy's, has been fast catching up with BK's averages; in fiscal 1981, ended Dec. 31, Wendy's systemwide sales per restaurant were $674,000, up 8% from the prior year's $627,000 average.

Meanwhile, BK franchisees, who operate nearly 90% of the chain's 3,000 domestic units, have been hard hit by inflated interest rates. Strapped for cash, they've been building fewer units; the chain's expansion rate has plummeted from 13% in 1980 to about 7%.

A turnaround strategy is now being worked on by Norman Brinker, the founder of Pillsbury's Steak & Ale group and its single largest shareholder who earlier this year replaced Lou Neeb as Burger King's chairman and chief executive officer.

Brinker's plans are unclear for now, but he's indicated he's not above changing pricing, presentation and even decor to put back some steam into the chain.

IRS agents seize three restaurants' financial records

NEW YORK—Cries of innocence and indignation are coming from restaurateurs here whose records were seized by raiding Internal Revenue Service agents searching for proof of unreported income.

Teams of tax agents armed with search warrants seized financial records at three Manhattan restaurants in June. The restaurateurs were not immediately charged with any wrongdoing.

The agents had apparently earlier posed as prospective buyers and allegedly persuaded the restaurateurs to reveal their true sales and profits.

"I think it is a definite case of entrapment," said Herbert Weisberg, owner of Paul Revere's Chop House.

Salvatore Sorrentino, coowner with Mario Cristovam of the Rio de Janeiro Boat 57, reportedly said, "Our books are open; we have nothing to hide."

A lawyer for Martin Ross, owner of Marty's restaurant, said, "I am certain that the allegations will prove untrue."

More than 80 IRS agents took part in the searches of the three restaurants which stemmed apparently from a business broker who turned informant.

According to the affidavits filed for the search warrants, the restaurants grossed more than $5 million in 1981 while reporting only $3.6 million to the IRS.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended July 2							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date			Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Last Fiscal Year Revenue	Last Fiscal Year Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	4.38	3.88	3.88	-.50	-11.43	9.88	3.50	-.71	.61	-1.97	-37.80	.47	-.48	S	-109.0	-5.0	4.3	NE	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	20.00	18.38	18.75	.25	1.35	20.88	10.00	.20	-.40	-1.31	2.39	1.66	.41	N	26.2	34.0	6.3	9.5	.22	1.2	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	27.63	25.63	27.50	1.88	7.32	33.50	23.50	.07	.69	2.09	-7.53	4.00	-1.13	S	-22.7	-1.0	1.5	7.2	2.00	7.3	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.50	5.25	5.50	.50	10.00	7.50	4.88	.03	.54	2.16	45.06	.66	.13	S	22.0	-8.0	2.6	7.6	.12	2.2	06-08-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5.50	5.25	5.50	.25	4.76	6.50	2.88	-.45	.54	-5.47	-34.19	.62	.11	S	18.9	32.0	2.4	8.0	.00	.0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	22.50	21.75	22.50	.50	2.27	27.00	17.75	-.21	1.26	2.18	-25.67	1.60	.20	F	14.2	25.0	7.9	14.1	.40	1.8	05-10-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1.75	1.50	1.63	.13	8.33	4.13	1.06	-.58	-.36	-2.06	41.55	-3.33	-3.32	Q	NC	-67.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	14.50	13.13	13.25	-.75	-5.36	17.50	9.88	-.46	-1.18	-3.73	-41.54	.59	.33	Q	103.1	24.0	4.3	20.4	.10	.8	06-29-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	8.00	8.00	8.00	.00	.00	9.66	7.16	.35	.59	-4.53	.00	1.11	.21	F	23.3	9.0	3.2	7.2	.20	2.5	04-29-82	41.7	.9	.4	9.6	4	0281
Carrols Develop	CRL	6.00	5.00	5.75	.75	15.00	6.38	3.97	-.01	2.97	3.34	-8.62	.86	.72	N	163.6	35.0	2.4	5.0	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	19.75	18.50	18.50	-1.25	-6.33	22.25	15.25	.01	-.81	2.26	-9.33	2.03	.27	Q	15.2	14.0	5.0	9.1	.60	3.2	03-22-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	17.25	15.69	16.63	.78	4.93	17.94	10.09	.37	-.40	-3.67	-23.40	.31	.22	N	91.6	35.0	14.1	36.1	.00	.0	06-28-82	14.9	2.1	3.1	1.1	1	0481
Ch Full O Nut	CHF	13.25	12.00	13.13	.75	6.06	14.38	9.00	.04	1.02	-1.19	10.51	.66	-.44	N	-51.1	20.0	2.7	31.3	.40	3.0	07-01-82	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	26.25	25.00	25.63	-1.25	-4.65	33.50	25.00	-.43	.87	3.31	-27.47	3.52	.34	Q	10.8	18.0	10.8	7.4	1.00	3.9	07-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	2.75	2.63	2.75	.00	.00	3.63	2.50	-.07	.75	-.86	-31.18	-.06	1.37	F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.2	0	1281
Collins Foods	CF	17.25	16.13	16.25	-.63	-3.70	17.25	10.31	.68	-.16	2.26	-10.55	2.28	.69	F	43.3	13.0	3.2	7.1	.24	1.5	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	6.38	6.13	6.38	.13	2.00	9.38	5.25	-.20	1.36	-.90	-16.91	-.08	.12	S	NC	NE	-1.5	53.1	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	9.75	9.50	9.50	-.50	-5.00	11.00	7.25	.01	-.18	-1.78	.00	1.00	1.01	S	NC	21.0	3.2	9.4	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	26.88	23.50	24.75	.13	.51	26.88	14.75	.61	-1.62	2.47	-2.83	1.97	.77	N	49.6	6.0	3.2	10.7	.64	2.6	06-04-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	16.00	15.38	15.38	-.13	-.81	16.69	11.13	.18	-.30	.90	-2.69	1.82	.26	S	15.2	19.0	8.3	7.8	.36	2.3	08-09-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	10.88	8.88	10.50	1.63	18.31	10.88	5.78	.67	-.03	6.47	-65.20	1.39	.73	N	63.4	14.0	3.0	5.6	.38	3.6	06-29-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	8.25	7.00	7.50	.50	7.14	8.25	5.00	1.64	.63	1.14	-27.78	.27	-.15	S	-19.7	-24.0	.7	12.3	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	1.63	1.50	1.50	-.25	-14.29	6.00	1.50	-1.13	.98	-8.90	.00	-2.22	-3.88	S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	33.63	29.75	32.13	2.38	7.98	47.38	29.75	-.31	-.09	.27	1.08	4.22	-.04	Q	-.9	25.0	20.9	8.1	1.80	5.6	05-28-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	27.88	26.38	26.75	-.50	-1.83	31.00	21.88	.32	-.04	-.64	-7.25	3.66	1.12	Q	42.4	26.0	7.8	7.1	.80	3.0	06-10-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	40.75	39.63	40.75	-.50	-1.21	44.50	33.00	.44	.57	-9.45	.00	NA	NA		NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17.00	15.25	16.25	.25	1.56	17.75	7.28	.04	-.74	-4.71	-62.46	1.05	.13	Q	14.6	30.0	2.7	15.9	.00	.0	01-11-82	166.1	4.5	1.7	12.6	7	1281
Hungry Tiger	HTIG	8.50	7.50	8.50	1.00	13.33	9.38	6.00	.14	.56	2.64	-14.85	.92	.18	N	20.4	41.0	3.2	8.0	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.88	1.50	1.81	.19	11.54	1.88	1.06	.23	3.20	7.43	9.09	.24	.00	F	.0	2.0	2.0	7.6	.14	7.7	02-24-82	8462.9	171.0	1.1	.7	2	1061
Intl Dairy Queen*	INDQ	12.25	11.50	12.25	.75	6.52	13.00	9.25	.37	1.81	-.98	-5.10	1.72	.34	S	22.5	38.0	6.1	6.6	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3.38	3.00	3.38	.38	12.50	3.50	1.75	-.02	2.90	-2.83	47.70	-.65	.19	S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	6.63	6.25	6.63	.13	1.92	7.25	2.88	.18	2.13	.54	-23.86	.63	.31	S	75.6	-1.0	3.0	9.2	.16	2.4	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	20.75	19.38	20.50	.75	3.80	27.63	15.63	.22	.37	.39	6.36	1.70	.27	N	17.1	22.0	5.6	11.1	.12	.6	05-10-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	4.00	4.13	.00	.00	4.50	3.50	.65	.57	1.41	37.50	-.24	-.46	S	-575.0	-33.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	19.13	18.50	19.00	.25	1.33	19.13	10.75	.38	.36	-8.16	-26.10	.89	.31	F	53.4	126.0	8.1	21.3	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafe	LUB	28.13	26.75	27.88	.75	2.77	32.00	23.50	.11	.51	3.69	-43.44	1.45	.25	N	18.1	23.0	9.1	17.1	.48	1.7	06-07-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	6.13	6.00	6.13	.25	4.26	6.94	5.00	.23	.58	-1.85	-24.36	1.15	.04	N	3.5	7.0	5.8	5.3	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	35.38	33.00	33.38	-.63	-1.84	42.75	31.63	-.31	-.76	1.48	35.98	3.20	.55	Q	20.0	31.0	4.3	10.1	.30	.9	06-21-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	72.50	68.63	71.13	1.25	1.79	72.88	56.75	.53	.36	1.35	-53.55	6.54	1.01	Q	17.6	18.0	10.7	10.6	1.20	1.7	05-24-82	2477.2	264.8	.5	23.0	34	1281
Morrison Inc	MORR	11.63	10.25	11.25	1.50	15.38	12.00	8.13	.25	.26	.12	-2.83	.95	.15	N	16.6	7.0	3.9	10.7	.36	3.2	04-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.13	2.13	-.13	-5.56	4.13	2.13	-.11	.56	-.88	63.19	.22	-.25	S	-500.0	-22.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.06	1.00	1.06	.06	6.25	1.88	.63	.25	2.26	-6.10	44.74	-.87	-.42	N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	11.50	9.00	.20	.57	-3.73	.00	1.74	-.08	S	-5.5	9.0	1.3	6.9	.32	3.5	03-11-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	6.88	6.50	6.50	-.13	-1.89	11.38	6.25	-.35	.13	-3.95	54.59	1.01	.12	S	13.4	25.0	5.4	6.4	.20	3.1	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	15.50	15.25	15.38	-.13	-.81	18.13	13.50	.29	.57	-5.54	-19.57	1.30	.14	N	10.7	15.0	6.1	10.7	.48	3.1	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.13	4.63	5.00	.13	2.56	10.38	4.63	.07	1.07	5.53	-14.57	.50	-.02	Q	-3.5	-6.0	1.0	9.1	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	29.75	28.25	28.25	.50	1.80	32.50	18.00	.00	-.14	-2.83	27.76	.58	.77	Q	540.0	42.0	7.2	34.5	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	18.88	15.25	17.63	2.38	15.57	18.88	11.75	.91	-.08	3.64	-31.03	2.01	1.13	Q	137.8	-10.0	2.4	9.0	.40	2.3	06-11-82	353.9	8.5	1.0	20.0	17	0282
Ramada Inns	RAM	4.88	4.25	4.63	.13	2.78	9.50	4.25	-.29	.00	-1.36	-13.08	.05	-.74	Q	-139.6	-21.0	.4	NE	.12	2.6	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	4.13	3.88	3.88	.00	.00	7.13	3.88	-.49	.90	.67	-42.54	.97	-.14	Q	-15.3	51.0	2.4	5.0	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	28.25	24.63	26.75	1.75	7.00	29.25	16.00	.44	-.70	4.71	-18.37	2.36	1.07	N	49.7	18.0	1.4	8.3	.56	2.1	05-17-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	9.00	8.50	8.50	-.13	-1.45	15.13	6.88	.06	-.14	-.14	47.18	.68	.08	Q	13.5	55.0	4.5	12.7	.00	.0	06-02-81	49.0	2.2	1.8	2.4	5	1281
Servico Inc	SRVI	8.00	8.00	8.00	.00	.00	11.25	7.00	-.61	.59	-6.70	-71.05	1.69	-.51	Q	-30.9	78.0	3.5	7.0	.00	.0	00-00-00	126.4	4.4	1.1	56.1	6	1281
Shoneys Inc	SHON	18.13	17.13	18.13	.88	5.07	18.25	11.91	.28	.78	-.98	18.74	1.03	.25	S	27.1	21.0	5.5	15.5	.16	.9	03-29-82	269.4	14.8	1.0	2.0	5	1061
Sonesta Hotel	SNSTZ	11.00	10.00	11.00	1.00	10.00	13.66	8.50	.55	.56	.58	-92.42	.94	.37	Q	217.6	32.0	1.4	20.4	.20	1.8	06-25-82	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.75	2.63	2.69	.06	2.38	3.13	2.38	.32	.66	4.47	-53.99	.06	-.23	S	-79.3	-34.0	.5	44.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	6.50	6.00	6.50	.50	8.33	6.75	4.25	.17	1.71	-1.28	28.68	-.22	.18	S	NE	-23.0	-.9	162.5	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	8.50	7.13	7.13	-.75	-9.52	11.00	6.25	-.71	-2.85	-.97	3.43	-1.85	2.11	N	NE	-32.0	-4.3	59.4	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Wendys Intl	WEN	16.88	15.00	16.13	1.00	6.61	18.75	12.25	.50	-.05	1.10	-20.69	1.52	.14	Q	10.0	18.0	7.5	10.5	.28	1.7	05-11-82	490.4	36.9	.6	3.8	8	1281
Webb Del E	WBB	7.50	5.88	6.88	.88	14.58	12.00	4.88	-.13	3.89	1.95	20.59	.56	.80	Q	NE	-24.0	1.3	11.1	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281
Winners Cp	WNER	10.13	10.00	10.13	.25	2.53	11.00	6.38	-.10	.58	-6.36	39.64	.67	.72	Q	200.0	4.0	2.1	13.0	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Hardwicke to delay debt payments, cut expenses

NEW YORK—Hardwicke Cos., citing "current and anticipated working capital and cash flow problems," is delaying payments on an $11 million bank loan and proposing a debenture swap to stem expenses.

Hardwicke filed last month with the United States Securities and Exchange Commission to be allowed to ask holders of its 14% debentures, due Oct. 31, 1994, to swap them for a new debenture paying 4% a year until 1985, then 20% a year until maturity in 1994.

Hardwicke said that for every $1,000 face amount of 14% debentures tendered, holders would receive $1,175 face amount of the new debenture.

The company also said it is deferring interest payments on its bank loan agreement and easing "certain financial covenants" in the agreement until Sept. 30 when its fiscal year ends. Hardwicke said it wants the bank agreement negotiated by the end of fiscal 1982.

Hardwicke reportedly owes $11 million to the First National Bank of Chicago.

Hardwicke's move to restructure some of its debts comes after a series of setbacks, most of them tied to Hardwicke's failed plans for an Atlantic City hotel-casino.

Hardwicke, which lost $3.5 million on sales of $35 million last year, had invested $21.3 million in the hotel project since buying the Ritz property in December 1978.

Hardwicke had planned to make it into a 550-room hotel and casino. Cost estimates mushroomed to $161 million, while $125 million in financing failed to materialize.

The project was tainted by scandal when a Hardwicke director was accused of speculating on the company's stock in connection with the Ritz deal and a United States senator was said to have been bribed.

In March, a deal was reached to sell the site to a Ventnor, N.J., developer for $13 million.

Hardwicke is in a 50% joint venture agreement with Warner LeRoy on the New York restaurants Maxwell's Plum and Tavern-on-the-Green. LeRoy is suing because of delays in the development of Maxwell's Plum units.

Maxwell's in Boston has been held up in zoning and three planned for Paris, Chicago and Washington, D.C., have yet to get financing.

For the second quarter ended March 14, Hardwicke reported a $1.9 million net loss, compared to a $780,000 profit in the prior-year period.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Luby's Cafeterias	3 mos. 9 mos.	5/31			$ 33.235 94.207	16 18	$ 3.117 8.230	
Nathan's Famous Inc.	12 mos.	3/28			17.410	22	($109,645)	
Judy's Inc.	3 mos.	4/30			9.453	14	($372,000)	
LDB Corp.	9 mos. 3 mos.	4/30 4/30			151.743 51.023	6 2		
Oneida Ltd.	12 mos. 3 mos.	5/1 5/1	$347.607 82.149	7 3			19.356 3.550	16 38

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Luby's reports 17% advance in third quarter profits

SAN ANTONIO—Luby's Cafeterias Inc. reported for the third-quarter ended May 31 that net profit advanced 17% to $3.1 million and revenue gained 16% to $33.2 million compared to a year ago.

For the nine-month period, the 62-unit chain reported net profit of $8.2 million, up 17%, and revenue of $92.2 million, up 18% over the 1981 period.

For the first time in almost four years, Luby's Cafeterias Inc. has gone to Wall Street to raise cash for expansion.

The 62-unit cafeteria chain issued 500,000 shares of common stock last month to raise $13.4 million.

The company said none of the cash is expected to be used for the six new units scheduled to open through August 1983, but it gives Luby's flexibility to inventory land for future growth.

Wechsler acquired by Goodhost

MOONACHIE, N.J.—Wechsler Coffee Corp., the industrial coffee roaster and supplier to the food-service industry, has been acquired by its Canadian subsidiary, Goodhost Foods Ltd., of Toronto.

Wechsler and Goodhost market a similar group of products under various brand names, including ground and freeze dried coffees, tea, as well as coffee-related and food-service equipment.

Sambo's down $10.8M in 1st qtr.

CARPINTERIA, Calif.—Struggling for survival and revitalization under its new management team headed by chairman Robert Luckey, Sambo's suffered a $10.8 million net loss for its first quarter ended April 1, compared with a $9.4 million net loss for the same period last year.

Comparative sales for restaurants still in operation tumbled 20% in the past year, to a $100,000 quarterly unit average or a $400,000 annual pace.

Luckey's new team took over in mid-February—too late to do anything about the first quarter. He and new president Roger Kisiel spent most of their time evaluating what to do for the future. (Further details, *NRN* chain analysis issue, Aug. 2.)

VIEWPOINTS

NRA, Congressmen air opposition to beef grading plan

Editor, *NRN:*

The April 26 issue of *Nation's Restaurant News* carried an article concerning the National Cattlemen's Association. Therefore, I believe you will find a particular interest in these copies of letters to the Honorable John R. Block, Secretary of Agriculture, written by the National Restaurant Association and a group of Congressmen.

These documents support a different point of view.

Joseph L. Piperato
Senior vice president
Standard Meat Company

(Ed. note: The following letters were originally written to John R. Block, Secretary, U.S.D.A.)

Dear Mr. Secretary:

The undersigned organizations wish to express our collective opposition to the proposed rules, as published by U.S.D.A. in the *Federal Register*, Vol. 46, No. 250, pages 63052-63075, to revise the official United States standards for grades of slaughter cattle.

The U.S.D.A. grading system was developed in 1916. Ten years later, through the effort of the cattle industry, it was refined, expanded and offered to the meat industry on a voluntary fee-for-service basis. The changes were intended to facilitate marketing, improve communication between buyer and seller, and increase overall production efficiency. The beef producers correctly contended that if the quality of beef could be assured, consumers would buy more of the product with greater confidence.

We feel the U.S.D.A. proposal will not serve to instill greater confidence in the buying public. The U.S.D.A. proposal will lower the minimum marbling level for Prime to Minimum Moderate, Choice to Typical Slight and Good to Minimum Traces. We believe this would seriously erode the integrity of the beef grading system.

Some consumers have indicated, through their purchases, a preference for lean, private label or no-roll beef. Not all consumers desire lean beef, however. By allowing leaner beef into the Prime and Choice grades, the U.S.D.A. proposal would remove the option and price benefits consumers now enjoy between U.S.D.A. Choice and lean beef.

We fail to understand how a change so similar to the one instituted in 1976 is again considered to be a solution to the problems facing the cattle industry. The industry is no better off today than it was in 1975. In fact, per capita consumption of beef has steadily decreased from 118.8 lb. in 1975 to 103.4 lb. in 1980.

We feel certain that the U.S.D.A. proposed changes will *not* result in better information for beef producers, greater product selection for beef consumers, or a more efficient beef marketplace. It will, however, undermine the purpose of the grading system by allowing the vast majority of feed beef to grade Choice. In addition, it will penalize restaurants and certain retail market segments which do not want lean beef and result in higher prices to consumers. We, therefore, strongly recommend that the department not adopt the proposed standards.

Walter Conti
Chairman of the board
National Restaurant Association
Bruce Berven
Executive vice president
Iowa Cattlemen's Association
David E. Bennett
Executive secretary
Kansas Livestock Association
R. O. Buckley
President
Mississippi Cattlemen's Association
Mel Morasch
President
Northwest Meat Processors Association
James Goldberg
General counsel
National Association of Meat Purveyors
Ellen Dubin
Vice president for external affairs
The Stop and Shop Companies Inc.
Russ Harriman
Executive vice president
Missouri Cattlemen's Association
Jack Partridge
Vice president for public affairs
The Kroger Company
James A. Goslin Jr.
President
Club Managers Association of America
Albert McDermott
Washington representative
American Hotel & Motel Association
Gerald F. Hurley
Executive director
National Club Association
Ronald Ziegler
President
National Association of Truck Stop Operators
Bill Giery
Executive secretary
Foodservice and Lodging Institute
Tom Smith
Director of research
Community Nutrition Institute
David Greenberg
Legislative director
Consumer Federation of America
Nancy Drabble
Director
Congress Watch
Barb Pequet
Legislative director
National Consumers League

Dear Secretary Block:

We are writing to express our disapproval of the regulations proposed by the U.S.D.A. on Dec. 29, 1981, regarding a change in the beef-grading standards, and to ask that they be withdrawn from consideration.

As Members of Congress representing both "producer" and "consumer" areas of the country, we believe that U.S.D.A.'s proposal to lower the beef-grading standards would be detrimental to the cattle industry while resulting in consumers paying more for less.

Since the establishment of the beef-grading system, the public has come to know and rely on the beef grades in making informed decisions about the quality and cost of beef. Consumers have some confidence that the beef they buy will be consistent with past purchases. It is vital for the future of the cattle industry that consumer confidence be maintained.

U.S.D.A.'s proposal would result in shopper's paying "Prime" prices for beef which is currently graded "Choice," and "Choice" prices for beef which is currently graded "Good." If U.S.D.A.'s proposal is adopted, costs to consumers could exceed $300 million per year, beef consumption would likely decrease, with shoppers turning away from beef to other types of meat, and complaints about the quality of beef would increase.

With the proposed change being harmful to the interests of those it's designed to protect—cattlemen and consumers both—adoption of the proposed regulations is not warranted. We believe that the existing grades should not be weakened, and request that the proposed regulations changing the beef-grading standards be withdrawn from consideration.

Peter A. Peyser
Tom Harkin
James L. Oberstar
Walter E. Fauntroy
Parren J. Mitchell
Anthony Toby Moffett
Sidney Yates
Berkley Bedell
Neal Smith
Doug Walgren
Benjamin S. Rosenthal
Thomas J. Downey
Bob Edgar
Ronald V. Dellums
Jim Leach
Dennis Hertel
Jim Nelligan
Frank J. Guarini
Bruce F. Vento
Ted Weiss
Barney Frank
William J. Hughes
Buddy Roemer
Joseph G. Minish
Robert W. Davis
William R. Ratchford
Robert A. Roe
Thomas M. Foglietta
Ike Skelton

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CHAIN ANALYSIS: PART I

Top 100 food-service chains—Pages 49-149

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The Newspaper of the Food Service Industry

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Chains weathering tough economy

Flat counts, tight money still major stumbling blocks

NRN Special Report

Sparked by a combination of conservative pricing, wider assortments and heavy promotions, a number of leading food-service chains are making respectable showings in a tough economy.

While the latest 1982 real sales growth figures (average per unit annual sales minus menu price rises) look fairly impressive, optimism can be tempered by the fact that customer count increases themselves are running almost flat. A proportion of the sales gains are being achieved through higher check averages. (See Editor's Corner, Page 6.)

A second cautionary note is that many of these chains are finding it necessary to curtail their expansion in the face of tight money. (See top 100 section main story and charts, Pages 49 and 130-131.)

On the surface the most impressive gains are being achieved by PepsiCo's Pizza Hut, with 12.6% average per unit real sales annual compound growth over the last few years. Pizza Hut is projected to top the 15%.

But Pizza Hut started from a far lower base than the others, raising its average unit sales from $215,000 to $315,000 under Arthur Gunther and Don Smith since 1980.

Dunkin' Donuts has also shown surging annual compound real sales growth of 9.4% on a limited sales base which has risen to $385,000.

In this context McDonald's compound annual unit sales growth rate of 3.4% can be viewed as excellent since it has been achieved off an extremely high base which has now reached $1.2 million average per unit sales. The chain is managing to achieve a 5% real sales increase this year.

(Continued on page 205)

ACTUAL 3-YEAR SALES GROWTH OF 16 KEY CHAINS

Chain	1980 Estimated Average Per Unit Sales (000)	1981 Estimated Average Per Unit Sales (000)	Mid-1981 Menu Price Rise vs. Mid-1980	1981 Real Sales† Change From 1980	1982 Estimated Average Per Unit Sales (000)	Mid-1982 Menu Price Rise vs. Mid-1981	1982 % Real Sales† Change From 1981	% Compound Real Annual* Per Unit Sales Change 1982 vs. 1980
Burger King	$ 710	$ 728	8%	– 5.5%	$ 751	3%	+ 0.2%	– 2.5%
Church's	415	465	8	+ 4.0	500	0	+ 7.5	+ 5.6
Denny's	752	831	6	+ 4.5	910	5	+ 4.5	+ 4.3
Dunkin' Donuts	289	340	8	+ 9.6	385	4	+ 9.2	+ 9.4
Friendly	390	420	9	– 1.3	910	5	+ 2.1	+ 1.6
Hardee's	580	610	8	– 2.8	685	2	+10.3	+ 3.5
Howard Johnson	500	545	9	0	590	3	+ 5.2	+ 2.5
Jack-in-the-Box	500	568	8	5.6	618	4	+ 4.8	+ 4.9
KFC	350	385	9	+ 1.0	425	4	+ 6.4	+ 3.5
Long John Silver's	399	450	8	+ 4.8	475	4	+ 1.6	+ 3.0
McDonald's	1,000	1,100	8	+ 2.0	1,200	4	+ 5.1	+ 3.4
Pizza Hut	215	260	9	+11.9	315	6	+15.2	+12.6
Ponderosa	707	698	8	– 9.3	747	6	+ 1.0	– 3.9
Sambo's	475	410	–4	– 9.7	400	2	– 4.4	– 7.3
Taco Bell	356	400	9	+ 3.4	440	5	+ 5.0	+ 3.9
Wendy's	627	674	8	– 0.5	720	4	+ 2.8	+ 1.1

Source: *Nation's Restaurant News* Research; menu price change estimates compiled by Carl DeBiase of Restaurant Industry Trends surveys.

*1982 average per unit sales have been translated into 1980 equivalents, based on the menu price rises, to arrive at the compound annual real sales growth figures.

†Real sales growth is the average per unit sales percentage change minus the menu price percentage change.

High unemployment reshaping work force

By Roman Czajkowsky

Lingering recession and continued steep national unemployment are changing the restaurant industry's labor picture.

Across the country, restaurant employee turnover rates are down from year-before levels as fewer workers than in recent memory are willing to leave their jobs. Competition for even minimum-wage slots appears keener than ever, with a greater percentage of job seekers adults than in past downturns.

In high unemployment areas such as the Northeast and Midwest, the battle for even the most menial restaurant work is especially fierce. Long lines of job applicants at about-to-be-opened restaurants have become a familiar sight.

In Anderson, Ind., an area where 20% of the workforce is unemployed, the opening of a Long John Silver's seafood restaurant is said to have drawn 500 applicants for about 25 minimum-wage jobs.

At some McDonald's units in Ohio and Michigan, the ratio of job seekers to openings has ballooned to 30-1

Atlanta-based Arby's, the 1,200 unit roast beef chain, has seen its turnover rate for both hourly and managerial level employees drop to a monthly 10% rate, said corporate development vice president Wayne Jones. Only recently, a 200% to 300% yearly turnover rate was viewed as the industrywide norm for minimum-wage workers.

Burger King is seeing "less turnover" chainwide as well, according to John Lawlor, a spokesman for the 3,200-unit hamburger chain.

These developments hold several implications—some say not all positive—for operators and employees, particularly in the industry's fast-food segment where high turnover has been the rule from the day the first unit opened.

A plus for operators, restaurant managers now pick and

(Continued on page 205)

LATE NEWSBREAKS

Sales per unit in the average franchisee-owned fast-food restaurant will top $500,000 this year, the U.S. Commerce Department projects. That's a $30,000 increase over last year's per unit average, according to Commerce's annual Franchising in the Economy study.

Several prospective sponsors for the 1984 American Culinary Olympic team have volunteered their efforts following Kraft Foodservice's decision not to again be the sole sponsor. The American Culinary Federation board was meeting at press-time to consider the sponsorship offers, including one from the National Restaurant Association.

Far West Services has converted a Moonraker restaurant in Paramus, N.J., to an El Torito Mexican dinnerhouse, the Grace subsidiary's first El Torito in the East. A second El Torito is reportedly set to open in Syosset, Long Island, in September and 10 more are on the drawing board for the East. (More on Far West Services, Page 93.)

Leaders anticipate sales gains

Industry awaiting tax cut results

By Ken Rankin

WASHINGTON—Although the Reagan Administration's hefty 10% across-the-board individual income tax cut is already showing up in the form of bigger payroll checks for millions of United States workers, economists are still sharply divided on how much of this extra income will trickle down to restaurants and other businesses.

On one side, optimistic analysts view the $29.9 billion tax reduction—the biggest dollar tax cut in the nation's history—as a potential trigger for economic recovery.

Coupled with the 7.4% cost-of-living increased to 36 million Social Security recipients and similar benefit hikes to another four million welfare recipients which also took effect last month, the tax cut figures to pump some $50 billion in additional income into the economy this year.

On a per capita basis, however, the impact of the 10% personal income tax reduction appears much less significant. For a family of three with an annual income of $18,200, for example, the new withholding rates which took effect last month translate into a weekly payroll increase of only 80¢.

Although higher income individuals figure to pocket considerably greater savings as a result of the tax reduction, even a relatively affluent single taxpayer earning $50,000 a year will receive less than $13 per week in additional income.

Moreover, pessimistic analysts point out that despite the 10% rate reduction the vast majority of workers will actually

(Continued on page 205)

High unemployment rate reshapes work force

(Continued from page 1)
choose from a greater variety of job applicants than in recent memory, thus having a better chance of finding the right person for the right job.

"We're receiving more applications, and more applications from all types of people, than ever," said Burger King's Lawlor. "This gives us a broader and wider group to select from. We still get the traditional teenagers, but we're seeing a greater number of mature, experienced people looking to work with us."

Training

As the turnover rate drops, companies find themselves spending less money on training new recruits. The savings, though hard to quantify, go directly to the bottom line. What's more, lower turnover rates are also held to bring stability to unit level operations. Some operators argue that a more stable workforce increases productivity, and helps improve customer relations as managers and hourly personnel grow more familiar with their guests.

One fast-food company official who holds this view is Ernest Renaud, executive vice president of Jerrico Inc., the Lexington, Ky.-based operator of Long John Silver's

"You get a far more efficient operation, more productivity [out of employees] with a lower turnover rate," Renaud said in an interview. "Regularity" is another advantage, he added, "I think people get tired of seeing a new face every time they visit a restaurant. People get used to their managers and to the hourly people. It creates a good feeeling when you're greeted by familiar people."

With nearly 10 million people out of work, a markedly greater number of adults are now looking for even minimum-wage work: the growing service industries, particularly the restaurant industry, have been one target of their job search.

"It's safe to say that we have more adults looking for work with us than in the past," declared Robert Beavders, a McDonald's senior vice president.

But whether the fast-food industry, whose restaurants have traditionally been staffed by mostly part-time working teenagers, is hiring those adults in greater numbers than in the past is unclear at best.

For one thing, some employers concede they're wary of hiring workers used to higher wages, reasoning that they'll leave their jobs as soon as the economy brightens.

"I'd say we look at [hiring adults with work experience] cautiously," conceded Renaud. "If we feel that the person is likely to jump ship, we'll naturally give careful thought to whether we should hire" that job seeker.

On the other hand, said Renaud, "if we think that we'll bring him on board on a long-term basis, such as in Detroit, where the unemployment rate is 17% and [where] it will be a while for a lot of people to get back to their jobs, if ever, then we'd probably take advantage of it."

While Renaud maintained that Jerrico has "no policies or procedures" on hiring adults, his view is that "the more mature [employees] are, the better employees they are."

Other executives question the wisdom of hiring adults in great numbers. Said one fast-food company official, who asked not to be identified, "What percentage of adults can work with 16-, 17-year old youngsters side-by-side? They have different lifestyles, and they might ultimately resent making the same money as someone half their age."

In fact, all companies canvassed in an informal survey indicated they were not looking to add adults to their restaurants in any large measure. While the hiring on the basis of age alone is obviously not a likely issue for public pronouncements, observers say many in the industry are not ready to abandon a carefully cultivated "image" of youthful, eternally smiling employees manning the cash registers and service stations.

One industry expert who claims that view is widespread is William Rogin of SHR International, a human resources management consultant.

And while lower turnover rates may have advantages, not all operators are likely to be ecstatic over the prospects of a more stable workforce, Rogin feels. That's because labor costs are bound to inch up the longer employees stay

"There's a question as to whether some companies want long-term employment," he said. "The longer an employee stays on the job, the more he'll get paid." And long-term employees are likely to eventually qualify for other benefits for which the company must pay.

Thus, any savings realized from a lessened need to train crews are likely to be at least offset by increasing salary and benefits costs.

"I think that some companies say that "If I turn over, then I get a lower-labor cost," agreed Renaud. "Our own efforts here, right or wrong, have been to help people stay around as long as possible. We just think it gets us more productivity, and that helps in the long run."

Future Outlook

Unless the economy brightens, more people are going to stay put on their jobs—whether they like it or not, said Rogin: "What has definitely changed in the [restaurant employment] field is that people are now reacting differently to less than the best supervisory style." In other words, they're more ready to put up with difficult bosses than they were in a more economically secure past.

Chains weather tough economy

(Continued from page 1)
Also showing steady true sales growth are Denny's, with a 4.3% compound real sales rise since 1980; Church's, up 5.6%; Jack-in-the-Box, up 4.9%, and KFC, up 3.5%.

Chains showing real healthy sales increases this year after a previous slump are Hardee's, up 10.3% after a 2.8% drop last year; Howard Johnson, up 5.2% under new president Mike Hostage, after a flat 1981 performance; Ponderosa, which has recovered from a 9.3% dropoff last year, to register at least a 1% gain, and Friendly, up 2% after a 1% slump last year.

Burger King's sales are flat after a 5% dip in 1981, and it is trying to rally under its new chairman and ceo Norman Brinker.

Sambo's has reduced its real sales decline from 9.7% last year to 4.4%. But average per unit sales are barely topping a pathetic $400,000, and Robert Luckey and his new management team have their work cut out for them.

Industry awaits results of Reagan income tax cut

(Continued from page 1)
pay more in Federal taxes this year as a result of "bracket creep" and the steadily increasing Social Security payroll bite.

These gloomy projections, however, tend to ignore the fact that although most individuals won't enjoy any real reduction in taxes, their total disposable income will rise considerably due to the tax cut.

For their part, food-service industry leaders are hopeful that the tax reduction will pump up sales during the second half of '82, but nobody's ready to uncork the champagne just yet.

"It is too soon to say with absolute certainty that the second phase of the tax cut will benefit the industry," National Restaurant Association president John Dankos acknowledged, "but in general people do spend more money on eating out when they have greater discretionary funds."

NRA's long-term 1982 performance forecast for the food-service industry took into account the likely effects of this summer's tax cut and projected that "real" restaurant sales (after inflation) would rise 2% this year. "We see no reason to alter those projections now," an association spokesman told *Nation's Restaurant News*.

"In general we are optimistic about the last half of 1982," Dankos added. "People have a little more money to spend and the inflation rate is down."

The real question seems to be whether consumers will stimulate the economy by spending these extra billions, or increase their savings as Reagan Administration "supply-side" economists originally predicted.

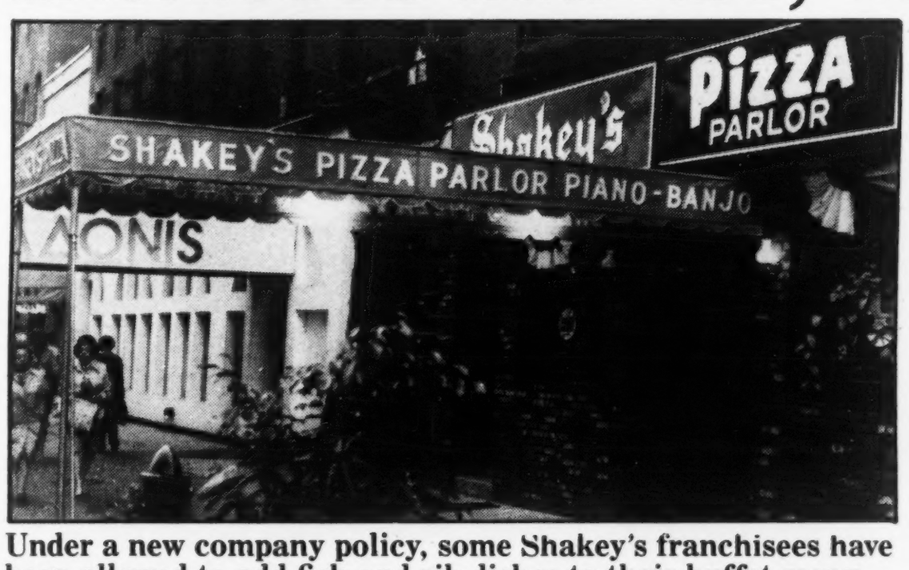
If the supply-siders are wrong, the nation's restaurants could be among the chief beneficiaries of the tax cut. Economists on both sides of the fence agree that few workers will be encouraged to buy new homes, automobiles or other big-ticket durable goods because of an extra $3 or $4 per week in take-home pay. But those few extra dollars might well induce millions of budget-strapped families to eat out more often.

Shakey's franchisees add ribs, fish to buffet

(Continued from page 2)
"The buffet is a concept that extends the operational hours of our restaurants," Bruff says. "It allows us to capitalize on the lunch business and overcome the reluctance to come in for a pizza, by offering quick service and expanded seating capacity."

Shakey's new building design has been set up to accommodate the buffets, says Bruff. They provide "a more efficient ratio of kitchen to seating," approximately 1 to 3. The new units are 4,200 sq. ft. and seat 200.

But because of the high cost of constructing new buildings, Shakey's is emphasizing two other kinds of development possibilities for new units that require lower capitalized investments. These are to develop shopping-center shells and to convert existing restaurant facilities into Shakey's.



Under a new company policy, some Shakey's franchisees have been allowed to add fish and rib dishes to their buffet menu.

If the shopping-center shell has never been used as a restaurant, Shakey's will design the space to meet its new kitchen-to-seating ratio.

Besides their lower capitalization cost, shells also make more locations available, especially in large, overdeveloped urban areas, like Los Angeles and San Francisco, where Shakey's is targeting its growth.

"The utilization of shopping-center shells will be the primary way to develop new, additional units," says Bruff.

He adds that "conversions of units makes it possible to find locations easier."

Bruff estimates that capitalization costs for a new free-standing building are between $600,000 and $700,000. The capital investment on a shopping-center shell may be from $160,000 to $200,000. Conversion of an existing restaurant may be capitalized for under $100,000.

Shakey's projects an increase of 30 franchised units this fiscal year, which ends Sept. 30, and 30 more next year. "We're right on target for '82," Bruff says. "We'll hit our objective."

Of those 30 this year, Bruff estimates that 50% will be in shopping-center shells, 30% will be conversions, and 20% will be new freestanding buildings. For fiscal 1983, the mix will be about the same, he says.

Franchising efforts are concentrated in four major markets: northern California, southern California, Chicago and Baltimore-Washington, D.C.

If projections turn out to be correct, Shakey's will have the following breakdown of units by Sept. 30: domestic franchises, 335; international franchises, 75; company-owned units, 50.

Projections for fiscal 1983 are: 30 new domestic franchises, 24 international and six company-owned stores, for a total of 520 units.

International franchises are concentrated in Far Eastern lands like Japan and the Philippines.

A domestic franchisee pays a $15,000 fee and monthly royalties on a sliding scale: 4.5% of sales for one to three units, 4.3% for four to nine units, and 4% for more than nine units.

Shakey's units used to have what was termed a "beer-hall look," with their picnic tables and benches, but gradually they have been remodeled. Bruff says about 85% of the units have changed to individual dining tables and that the rest of the units are in the process of remodeling. All units serve beer and wine.

The last major food item rolled out by Shakey's was its Super Pan Pizza. The large pan pizza with one topping starts at about $7.95 at most units. Bruff estimates that it accounts for 20% to 30% of pizza sales. "It's doing quite well in the markets where it's been for some time."

Traditional thin-crusted pizza is still Shakey's biggest seller, he adds. Sales figures are not disclosed by the privately owned company.

Hardee's subsidiary rolls out barbecued pork dish

(Continued from page 2)
But the $1.40 Burger Chef price is about 20¢ lower than the chain's other entrees. One exec said: "It gives the image of affordability without actually cutting prices."

It appears to be a strategy that other chains have adopted in developing new products.

It is safe to assume that Burger Chef's new owner, Hardee's Food Systems of Rocky Mount, N.C., is watching the results closely. But Hardee's franchisees had not been briefed on it at presstime.

The Country Bar-B-Q differs little from the McRib, adding to the fear at Burger Chef headquarters that McDonald's clout could have stolen the limelight from Burger Chef. "They are practically the same, so we had to avoid being called the copycat," said a Burger Chef source.

Specifically, McDonald's uses a pattie formed in the shape of barbecued ribs; Burger Chef's is simply rectangular.

McDonald's uses chopped onions and pickle slices; Burger Chef uses sliced onions and no pickle.

McDonald's uses a sesame seed roll; Burger Chef uses its earth grain roll.

Some small, independent chains are reportedly using a pork sandwich similar to the Burger Chef and McDonald's item, but among the larger chains, they are the first to be offering the four main families of meat—beef, chicken, fish and now pork.

Watch for FRANCHISING OPPORTUNITIES supplement appearing in our Aug. 30 issue.

FINANCIAL NEWS

Hungry Tiger profits rise 25% for 3rd quarter

By Richard Martin

VAN NUYS, Calif.—Hungry Tiger's profits advanced 25% for the 16-week third quarter ended June 4, compared to the same period last year.

Net income for the 16 weeks was $662,000 on sales of $17.7 million, compared with $528,000 on $15.9 million in sales for 1981's third quarter. For the 40 weeks ended June 4, sales were up 11% to $42 million; profits were $1.4 million vs. $1.2 million last year.

Hungry Tiger has more than doubled the number of restaurants it operates in the last three years. Its latest opens this month—number 35 in a group which includes two Breakers Seafood Co. restaurants and three operations taken over at the Los Angeles County Music Center.

As one of the fastest-growing seafood dinnerhouse chains in the West and Southwest, Hungry Tiger's operating profits have risen an average of 37% a year on an average 23% increase in sales, compounded annually, over the last five years. Since verging on bankruptcy in 1974, earnings have risen in each successive year under present management, now headed by president and ceo Alan Redhead. He had been senior vp and chief operating officer prior to becoming president in 1980.

Viewed in terms of its return on equity performance (26.5% last year), Hungry Tiger may be one of the more profitable restaurant companies operating during the last five years.

In response to the overambitious building plans of former management—largely responsible for the losses of the early 70's—Redhead and his team slammed on the brakes and tried a different approach. The diverse look of units in the Hungry Tiger chain comes from their acquisition as failing operations. Thus, seating capacity varies from location to location, ranging from 150 to 350 per unit, and the company benefits from favorable lease arrangements and reduced capital expenditures.

With only two exceptions, every Hungry Tiger opened in the past seven years is situated in a pre-existing structure. The company has no intention of varying from this course, according to Redhead.

Management has its eye on new horizons—catering, the service of tourist-group contracts and wholesale and retail sales of fresh seafood. The company's catering operations are developing out of its Music Center businesses. Marketing efforts are being made to sign on with tour wholesalers handling Japanese and Mexican tourists. Expansion this year of the Hungry Tiger commissary may turn it into a base for fresh seafood retailing.

Another sign of the company's willingness to diversify was the takeover of the 150-seat cafe at the J. Paul Getty Museum in Malibu last year. Expansion plans for the company's restaurant operations call for the opening of two more Breakers Seafood Co. outlets and four more Hungry Tigers in the next fiscal year.

Breakers, with an even stronger emphasis on seafood, came into being last year with prices in the $5 to $9 range, compared with Hungry Tiger's $8-to-$17 price range.

The company now finds itself positioned to continue its earnings and sales performance, with food costs stabilizing and the effects of recent television advertising and discount pricing of nightly specials beginning to boost customer counts.

Menu price hikes made late last year in anticipation of increasing food costs may not have been necessary and the company estimates it may finish up the fiscal year with an average check about 6% higher than last year.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended July 16							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate			Indicated Dvd. Rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.		Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	3.88	3.75	3.75	-.13	-3.23	9.88	3.50	-.50	-.41	-2.30	-3.64	.47	-.48 S	-109.0	-5.0	4.3	NE	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	20.13	18.38	19.25	.50	2.67	20.88	10.00	.07	.24	-.55	-8.63	1.66	.41 N	26.2	34.0	6.3	9.8	.22	1.1	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	28.00	27.00	27.50	.00	.00	33.13	23.50	.10	-.82	-4.29	-28.83	4.00	-1.13 S	-22.7	-1.0	1.5	7.2	2.00	7.3	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.75	5.50	5.75	.25	4.55	7.25	4.88	.42	-.27	1.47	21.30	.66	.13 S	22.0	-8.0	2.6	8.0	.12	2.1	06-08-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5.50	5.38	5.38	-.13	-2.27	6.50	2.88	.05	-1.02	-1.93	-32.24	.62	.11 S	18.9	32.0	2.4	7.8	.00	.0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	24.50	23.75	24.25	1.75	7.78	27.00	17.75	.39	-.71	-3.18	-30.32	1.60	.20 F	14.2	25.0	7.9	15.2	.40	1.6	05-10-82	173.4	13.7	1.7	.0	8	0482
Bonanza Intl Inc	BNZA	2.38	1.50	2.38	.75	46.15	3.88	1.06	-.47	10.33	2.78	22.73	-3.33	-3.32 Q	NC	-67.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	13.63	12.13	12.88	-.38	-2.83	17.50	9.88	-.64	-1.55	-2.84	25.87	.59	.33 Q	103.1	24.0	4.3	19.8	.10	.8	06-29-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	8.50	8.25	8.25	.25	3.13	9.50	7.16	.29	-1.18	-6.19	22.22	1.11	.32 Q	37.2	7.0	3.2	7.0	.20	2.4	04-29-82	37.0	1.2	.6	1.5	2	0282
Carrols Develop	CRL	5.88	5.25	5.50	-.25	-4.35	6.38	3.97	.27	-1.98	-.02	13.24	.86	.72 N	163.6	35.0	2.4	4.7	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.88	17.88	20.88	2.38	12.84	22.25	15.25	-.08	2.59	2.55	7.31	2.03	.27 Q	15.2	14.0	5.0	10.2	.60	2.9	03-22-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	18.13	16.50	17.88	1.25	7.52	18.13	10.09	.45	-.83	-2.50	2.36	.31	.22 N	91.6	35.0	14.1	38.9	.00	.0	06-28-82	14.9	2.1	3.1	1.1	1	0481
Ch Full O Nut	CHF	15.13	13.00	14.88	1.75	13.33	15.13	9.00	.60	-.23	6.29	-17.23	.66	-.44 N	-51.1	20.0	2.7	35.4	.40	2.7	07-01-82	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	27.88	25.50	26.88	1.25	4.88	33.50	25.00	-.28	-.68	.82	-11.55	3.52	.15 S	4.6	17.0	10.8	7.9	1.00	3.7	07-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDY(	2.75	2.75	2.75	.00	.00	3.63	2.50	-.01	-.23	.49	3.37	-.06	1.37 F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.2	0	1281
Collins Foods	CF	18.88	16.00	18.50	2.25	13.85	18.88	10.31	.66	.07	1.03	-22.05	2.28	.69 F	43.3	13.0	3.2	8.1	.24	1.3	06-23-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	6.88	6.38	6.88	.50	7.84	9.25	5.25	.26	-.05	2.55	28.10	-.08	.12 S	NC	NE	-1.5	57.3	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	9.75	9.50	9.75	.25	2.63	11.00	7.25	-.26	-.25	-2.93	14.36	1.00	1.01 S	NC	21.0	3.2	9.7	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	28.38	25.13	28.00	3.25	13.13	28.38	14.75	.61	-.42	2.82	-16.80	1.97	.77 N	49.6	6.0	3.2	12.1	.64	2.3	06-04-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	16.88	14.88	16.88	1.50	9.76	16.88	11.13	.23	.91	.27	.67	1.82	.26 S	15.2	19.0	8.3	8.6	.36	2.1	08-09-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	11.13	10.00	11.00	.50	4.76	11.13	5.78	.86	.75	4.59	37.23	1.39	.73 N	63.4	14.0	3.0	5.9	.38	3.5	06-29-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	7.50	6.25	6.25	-1.25	-16.67	8.25	5.00	-.10	-3.21	-6.76	.00	1.35	1.08 F	400.0	-13.0	3.2	4.6	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	1.50	1.38	1.38	-.13	-8.33	5.63	1.38	-1.35	-3.26	-6.14	.00	-2.22	-3.88 S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	32.63	30.25	32.38	.25	.78	45.75	29.75	-.03	-.12	.57	-26.42	4.22	-.04 Q	-.9	25.0	20.9	8.1	1.80	5.6	08-30-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	28.50	25.88	28.13	1.38	5.14	30.38	21.88	-.01	.91	-1.78	20.88	3.66	1.12 Q	42.4	26.0	7.8	7.5	.80	2.8	06-10-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	39.00	39.00	39.00	-1.75	-4.29	44.50	33.00	.03	-.32	-7.75	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	19.25	16.00	18.88	2.63	16.15	19.25	7.28	.41	.80	-2.89	-36.73	1.05	.13 Q	14.6	30.0	2.7	18.5	.00	.0	01-11-82	166.1	4.5	1.7	12.6	7	1281
Hungry Tiger	HTIG	8.50	8.50	8.50	.00	.00	9.19	6.00	.67	-.29	-.89	13.10	.92	.18 N	20.4	41.0	3.2	8.0	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.88	1.69	1.75	-.06	-3.45	1.88	1.06	.32	.18	.92	54.55	.24	.00 F	.0	2.0	2.0	7.3	.14	8.0	02-24-82	8462.9	171.0	1.1	.7	2	1081
Intl Dairy Queen	INDQ	12.75	12.25	12.75	.50	4.08	13.00	9.25	.43	.67	-.55	28.77	1.72	.34 S	22.5	38.0	6.1	6.9	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3.63	3.50	3.63	.25	7.41	3.63	1.75	.81	-.43	3.40	-21.94	-.65	1.06 N	NE	-36.0	-3.1	19.1	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	7.00	6.50	7.00	.38	5.66	7.25	2.88	.45	.09	-1.00	-4.81	.63	.31 S	75.6	-1.0	3.0	9.7	.16	2.3	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	20.50	19.38	20.50	.00	.00	27.63	15.63	.04	-.05	-1.12	54.15	1.70	.27 N	17.1	22.0	5.6	11.1	.12	.6	05-10-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.00	3.63	3.88	-.25	-6.06	4.50	3.50	.05	-.73	-3.69	-23.47	-.24	-.46 S	-575.0	-33.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	19.25	19.00	19.00	.00	.00	19.25	10.75	.29	-.44	-1.18	-11.29	.89	.31 F	53.4	126.0	8.1	21.3	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Karcher Carl	CARL	14.63	13.25	14.38	1.13	8.49	14.63	8.88	.57	.06	.46	-29.96	1.51	1.68 Q	NC	17.0	3.4	8.6	.00	.0	00-00-00	200.6	6.9	1.9	6.4	8	0182
Lubys Cafe	LUB	29.88	27.75	29.25	1.38	4.93	32.00	23.50	.34	-.03	-1.34	23.15	1.45	.25 N	18.1	23.0	9.1	17.9	.60	2.1	09-03-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	6.63	6.13	6.63	.50	8.16	6.75	5.00	.42	1.09	4.05	-13.77	1.15	.04 N	3.5	7.0	5.8	5.7	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	37.00	32.00	36.63	3.25	9.74	41.13	31.63	-.16	1.61	3.29	-22.70	3.20	.37 S	12.6	30.0	4.3	11.1	.30	.8	06-21-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	77.25	70.25	77.00	5.88	8.26	77.25	56.75	.46	.36	1.10	1.15	6.54	1.01 Q	17.6	18.0	10.7	11.5	1.20	1.6	05-24-82	2477.2	264.8	.5	23.0	34	1281
Morrison Inc	MORR	12.25	11.25	12.13	.88	7.78	12.25	8.13	.63	1.06	2.25	1.35	1.16	.21 F	22.1	8.0	4.1	10.5	.36	3.0	07-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.13	2.00	2.00	-.13	-5.88	4.13	2.00	-.35	-.31	-3.63	-8.33	.22	-.25 S	-500.0	-22.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.06	1.00	1.00	-.06	-5.88	1.88	.63	.10	-.31	-4.40	-50.00	-.87	-.42 N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	11.50	9.00	.05	-.30	-6.25	.00	1.74	-.08 S	-5.5	9.0	1.3	6.9	.32	3.5	03-11-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	6.50	4.63	4.75	-1.75	-26.92	11.38	4.63	-.53	-6.27	1.13	59.80	1.01	-.81 N	-84.3	24.0	5.4	31.7	.20	4.2	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	15.88	15.25	15.88	.50	3.25	18.13	13.50	.17	.31	-2.28	-.38	1.30	.14 N	10.7	15.0	6.1	11.0	.56	3.5	06-03-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.63	4.88	5.38	.38	7.50	9.88	4.63	.37	-.81	-.51	.57	.50	-.02 Q	-3.5	-6.0	1.0	9.8	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	28.75	27.00	28.00	-.25	-.89	32.50	18.00	-.07	-1.29	-1.12	-18.65	.58	.77 Q	540.0	42.0	7.2	34.1	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	19.25	17.13	19.13	1.50	8.51	19.25	11.75	1.01	-.38	1.96	15.44	2.01	1.13 Q	137.8	-10.0	2.4	9.8	.40	2.1	06-11-82	353.9	8.5	1.0	20.0	17	0282
Ramada Inns	RAM	5.00	4.50	4.88	.25	5.41	9.13	4.25	-.10	.45	-2.10	6.36	.05	-.75 Q	-141.5	-21.0	.4	NE	.12	2.5	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	4.13	3.75	4.00	.13	3.23	7.00	3.75	-.14	-1.01	-3.55	-24.07	.97	-.14 Q	-15.3	51.0	2.4	5.2	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	28.75	26.75	27.50	.75	2.80	29.25	16.00	.52	-1.09	.23	-27.54	2.36	1.07 N	49.7	18.0	1.4	8.5	.56	2.0	05-17-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	8.75	7.63	7.75	-.75	-8.82	14.75	6.88	-.12	-4.08	5.68	-15.82	.68	.08 Q	13.5	55.0	4.5	11.6	.00	.0	06-02-81	49.0	2.2	1.8	2.4	5	1281
Servico Inc	SRVI	9.00	7.03	8.75	1.47	20.17	9.53	6.38	.12	1.76	-.71	-31.88	1.54	-.46 Q	-30.6	78.0	3.5	8.4	.00	.0	07-09-82	126.4	4.4	1.1	51.0	5	1281
Shoneys Inc	SHON	18.25	17.75	17.88	-.25	-1.38	18.25	11.91	.28	-.96	3.13	10.46	1.03	.25 S	27.1	21.0	5.5	15.3	.16	.9	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	11.00	10.50	10.50	-.50	-4.55	13.50	8.50	.34	-.29	-7.19	-50.00	.94	.37 Q	217.6	32.0	1.4	19.4	.20	1.9	06-25-82	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.81	2.69	2.75	.06	2.33	3.13	2.38	.26	.00	.34	-17.93	.06	-.23 S	-79.3	-34.0	.5	45.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	6.50	6.13	6.13	-.38	-5.77	6.63	4.25	-.03	-.25	3.28	-52.08	-.38	-.16 F	NE	-26.0	-1.5	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	7.63	7.25	7.50	.38	5.26	11.00	6.25	-.29	-.25	-4.61	.85	.35	2.20 F	NE	-30.0	1.0	21.4	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Wendys Intl	WEN	18.13	15.88	17.75	1.63	10.08	18.75	12.25	.51	.28	.73	-10.57	1.52	.14 Q	10.0	18.0	7.5	11.6	.28	1.6	05-11-82	490.4	36.9	.6	3.8	8	1281
Webb Del E	WBB	7.00	6.13	6.75	-.13	-1.82	11.50	4.88	.35	-.42	.28	3.77	.56	.80 Q	NE	-24.0	1.3	10.9	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281
Winners Cp	WNER	10.75	9.88	10.75	.63	6.17	11.00	6.38	.19	1.62	-.43	3.70	.67	.72 Q	200.0	4.0	2.1	13.8	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Taco Charley losses mount

SAN MATEO, Calif.—Taco Charley Inc., operator of 41 Mexican fast-food restaurants, reported a net loss of $1.7 million for the fiscal year ended Feb. 27, compared to a net loss of $1 million for the previous year.

Sales for the most recent year were $12.6 million, up from the prior year's $11.2 million.

The company, whose restaurants are located in California and Nevada, said operating results were adversely affected by nonrecurring items, including a $260,000 provision for closed restaurants and $200,000 in professional fees related to its spin-off from Calny Inc.

Meanwhile, negotiations were continuing at presstime between PepsiCo and its Taco Bell subsidiary, and Taco Charley for the previously announced sale of Taco Charley to Taco Bell.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Taco Charley	12 mos.	2/27	$ 12.552				$ (1.718)	
Pillsbury Co.	12 mos.	5/31	3,385.100	2			136.300	13.9
	3 mos.	5/31	903.700	5			39.400	40
Trusthouse Forte	6 mos.	4/30			$699.400	10	15.000	10
Beefsteak Charlie's	7 mos.	5/15			53.171	21	2.792	60
	4 mos.	5/15			31.955	8	1.876	55
Morrison Inc.	12 mos.	5/29			366.598	14	15.658	21
	13 wks.	5/29			102.040	19	4.814	37
Int'l Dairy Queen	6 mos.	5/28			47.399	6	44.569	7
	13 wks.	5/28			31.443	12	2.149	12
Hungry Tiger Inc.	40 wks.	6/4	42.027	11	1.445		1.445	21
	16 wks.	6/4	17.748	11			662,000	25
Valle's Steak House	12 mos.	3/31	66.078	0.7			(1.170)	
	13 wks.	3/31	14.889				(1.310)	

Source: *Company earnings reports*

**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Beefsteak Charlie's earnings up

NEW YORK—Beefsteak Charlie's, operator of 66 steakhouses along the Eastern Seaboard, reported net income up 58% to $1.9 million for the first quarter ended May 15, from $1.2 million for the prior year's comparable period.

Revenues for the quarter were $32 million, up from $29.6 million a year ago.

The quarter's net income included $830,000 in tax benefit of operating loss carryforward.

For the 28 weeks ended May 15, net income rose by nearly $1 million, to $2.8 million. Revenues were $53 million, up from $43.6 million the year before.

The company recently announced an agreement with ShowBiz Pizza Place to build 100 franchised ShowBiz Pizza restaurants.

Japan seafood importers reach price accord

WASHINGTON—A group of major Japanese seafood importers reached a tentative price-fixing settlement with Federal antitrusters that could have an indirect, but long-term impact on the price that United States restaurants pay for crab meat.

Justice Department enforcers who engineered the pending agreement told *Nation's Restaurant News* that while the terms of the settlement apply only to eight Japanese firms, Japan currently imports about two-thirds of all tanner crab meat harvested off the coast of Alaska.

In view of this substantial market share, Federal antitrust officials acknowledged that the new antiprice fixing settlement could well drive up the price of the remaining supplies of Alaskan crab, much of which is ultimately marketed to restaurants on the West Coast and other parts of this country.

The Government complaint that triggered the still-tentative settlement a leged that the foreign seafood firms used the Japan Marine Products Importers Association (J.M.P.I.A.) as a forum for fixing the prices they paid United States seafood suppliers for Alaskan tanner crab since 1979.

As a result of this alleged conspiracy, the "prices paid for processed tanner crab were depressed at artificial and noncompetitive levels," the Justice Department complaint charged.

The eight firms charged with participating in the cartel—C. Itoh & Co., Kyokuyo Co., Mitsui & Co., Nippon Reizo Kaisha, Nippon Suisan Kaisha, Shinko Sangyo Trading Co., Taiyo Fishery Co. and Toshoku Ltd.—represent "more than 50% of the purchases made by Japanese firms," the complaint maintained.

If the Court approves the proposed consent decree, already agreed to by the Japanese, the eight firms will be prohibited from "fixing prices and exchanging price and other competitive information relating to their purchase of processed Alaskan seafood," Assistant Attorney General William Baxter said.

Although it is too early to say what effect the consent decree will have on the market, Justice Department officials acknowledged that it "could result in higher prices for domestic buyers." A price hike could occur as the market reflects the "true" cost of Alaskan tanner crab meat, not the artificially low price dictated by the Japanese companies.

Among other stipulations provided for in the proposed consent decree, the companies must file annual J.M.P.I.A. meeting reports for five years as well as provide all employees with a copy of the decree annually for the next 10 years.

The proposal, however, does not prohibit the companies from engaging in legal business activities or meeting with J.M.P.I.A. as long as price-fixing discussions aren't undertaken.

F.D.A. inspection plan allows recycling of 'suspect' salmon

WASHINGTON — "Recycled" stocks of canned salmon recalled by the Food and Drug Administration because of suspected contamination could find their way back to the food-service industry under a deal struck by the salmon industry and food safety regulators.

The salmon recalls, which already total 60 million cans, resulted from F.D.A. investigations after the death of a man in Belgium from botulism traced to Alaskan salmon. Federal food safety regulators revealed that holes in salmon containers created during the canning process could permit the formulation of botulism toxin in the cans.

Under the new program, recalled salmon cans that successfully pass an examination including visual inspection and testing for leaks will be allowed back on the market. While most of these cans will end up in supermarkets, some may filter into the food-service industry.

In order to prevent a recurrence of the salmon scare, food safety regulators conducted intensive training courses for Alaskan inspectors. In addition, the salmon canning industry modified its reforming machinery responsible for creating holes in the cans. Warehouses in the state of Washington also received equipment to inspect cans for defects prior to labeling.

Although F.D.A. microbiological testing of at least 130 defective cans found no trace of botulism toxin, the agency will continue to "audit check" food warehouses to ensure that all recalled salmon cans are returned to the manufacturer.

Webb sells hotel site to Golden Nugget division

ATLANTIC CITY—Officials of Del E. Webb Corp. said last month they had sold the site of the former Presidential Hotel here for $9 million to SCB Development Co., a wholly owned subsidiary of Golden Nugget Inc., the Las Vegas-based casino and lodging firm.

Del E. Webb Corp., a Phoenix concern, had purchased the site and demolished the former hotel with plans of building a new casino-hotel.

The sale still leaves Del E. Webb with one property in Atlantic City, the Claridge casino-hotel, which was granted a permanent gaming license last month by the state casino control commission.

State authorities issued the go-ahead after clearing the background of Robert H. Johnson, president of the foundation which owns 28.5% of Del E. Webb.

Letter slur hurts Carsons' sales

SKOKIE, Ill.—A Carsons barbecued rib restaurant here has experienced a 10% drop in its carryout business as a result of a highly publicized altercation between the founder of the chain and a dry cleaner.

The problem began when Chris Carson was unhappy with the service a dry cleaner he has done business with for sometime on the posh North Side of Chicago gave to an item of expensive apparel. After a series of claims and counter-claims Carson sent the dry cleaner a note saying, "I would have sued but I'm a Greek and not a kike." A friend of the dry cleaner mailed copies of the letter to various organizations, which began to boycott the Skokie Carsons.

The incident occurred in May but came to light more recently when several local newspapers reported on the matter. Carson himself contacted one major newspaper to indicate he had not meant to slur all Jews.

Donna Giannis, one of Carson's children who manages this particular location, said while she has noticed the decrease in take-out there has been no difference in customer count in the restaurant. She said none of the other locations—two in Chicago, one in Lombard, Ill., and one in Arizona—have felt any effects. Giannis said the family has experienced some personal threats but aren't considering any steps to recoup the business. "Some people aren't willing to let this die down and there's nothing you can do to combat that," she said.

Carsons was one of the first chains to gain popularity in the barbecued rib market. That market is rapidly expanding and Carsons has had success with free appetizers at the bar and huge portions at moderate prices.

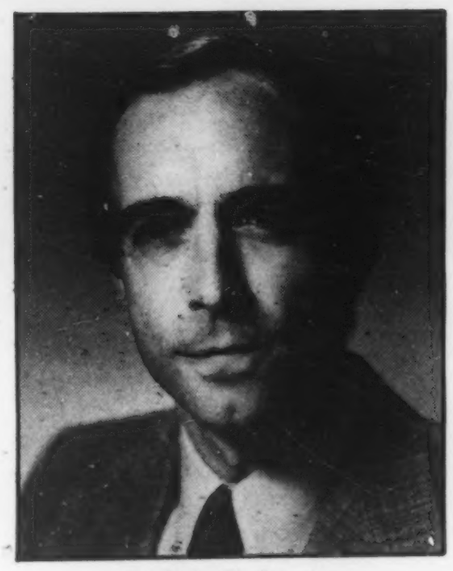
CHAIN ANALYSIS
PART II
Appearing next issue
of
Nation's Restaurant News

Roberts named exec vp of Far West operations

IRVINE, Calif.—Ralph Roberts has been named executive vice president of operations for Far West Services' 132-unit dinnerhouse division. The W. R. Grace Co. operation had 1981 sales estimated at $145 million from restaurants such as Reuben's, Plankhouse and Moonraker.

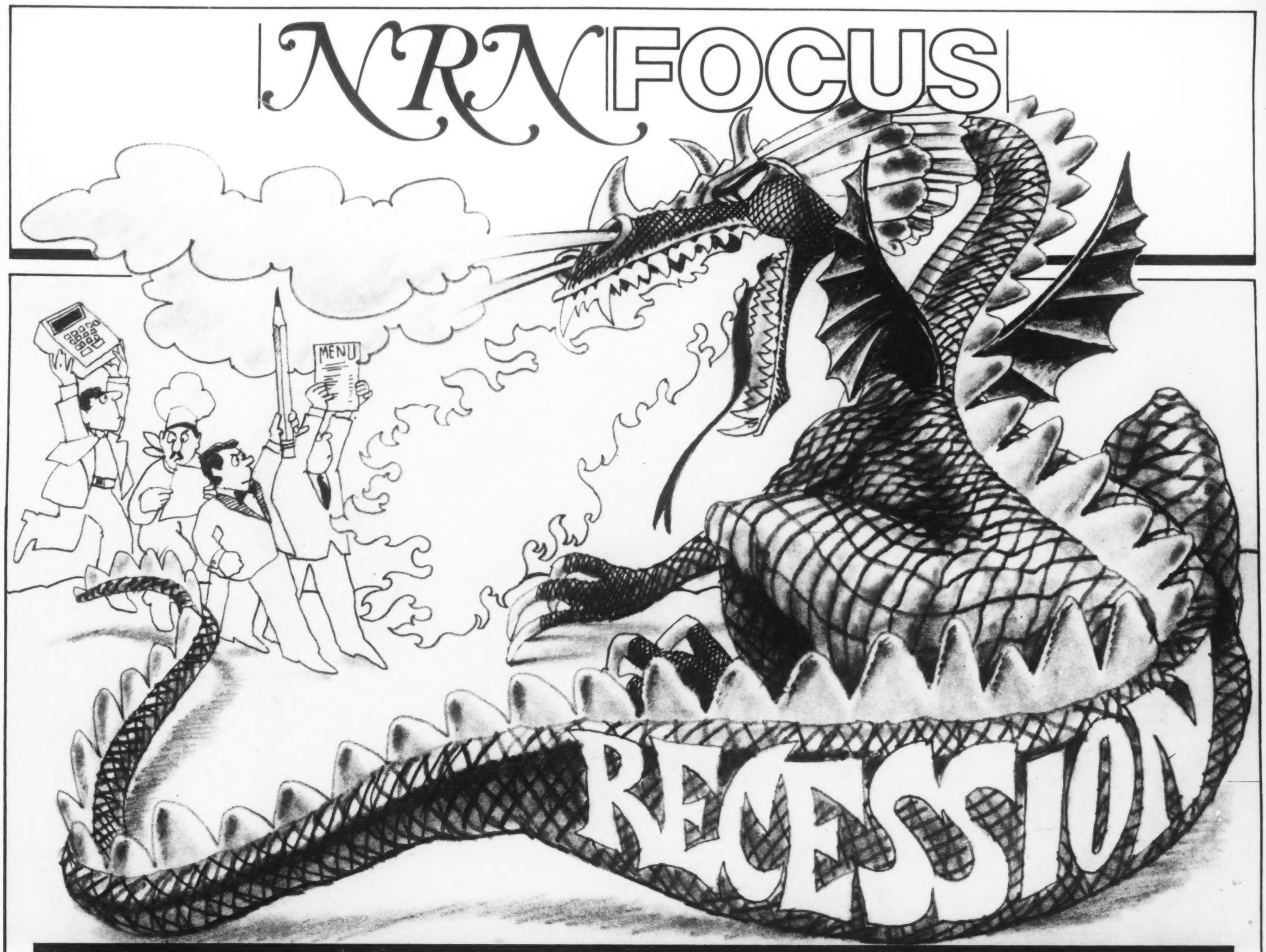
Past Record

Roberts, 40, had most recently been president of Nestle Co.'s 70-unit Stouffer restaurant group. He was executive vp of Borel's Restaurant Corp. and president of the Borel's division after its acquisition by Nestle in 1966.



Ralph Roberts
exec operations vp
Far West Services

NRN FOCUS



CHAIN ANALYSIS PART I: THE TOP 100

STAVING OFF THE ECONOMIC BEAST

NRN Special Report

Faced with high interest rates and a sluggish economy, the top 100 volume food-service chains are pulling in their belts and eying expansion in cautious terms. They're focusing much of their attention on remodelings of existing units and on building up the unit volumes.

Where the top 100 (see tables, Pages 130-131) had projected a total of 7,670 new units to open for their latest fiscal years, or an 8.8% increase, only 3,350 of these actually opened, up 4.1%. Now these chains are projecting a more cautious 5,010 new ones on top of a current 85,550, for 5.8% increase. And the reality is that this figure is likely to be trimmed to 3.5% or 4%.

With the prime interest rate still likely to hover in the 15% range, expansion money remains difficult to obtain. Furthermore, unemployment remains in the 9% range—twice that in some areas—and the actual gross national product growth appears flat or down this year.

Encouraging signs for the big chains are the July 1 tax cut whose impact remains to be determined, and a definite inflation cutback with only a 6% rise in the consumer price index from last year.

Real comparative growth of the top 100 chains (total sales minus new units and minus menu price increases) still looks flat, with a 1% rise in prospect at best. This is similar to the flat growth being experienced in most all segments of the food-service industry.

But the top 100 continue to gain a wider share of total food-service sales. Their $50.7 billion total projected sales for the current fiscal year represent 36.7% of the $138 billion sales projected for all United States food service. Last year the top 100 accounted for $44.9 billion, or 35.6% of the total.

Their volume proportion is almost twice as high as their unit proportion, since the current 85,550 units of the top 100 represent 19% of a total estimated 450,000 food-service units. This might be expected since the large chains tend to generate higher per unit sales.

Consolidation and expansion through mergers and acquisitions mark the top 100 list heavily. (See story and charts, Page 50.)

A few of the hot rising chains cracked into the list for the first time, including T.G.I. Friday's, Chi Chi's and Golden Corral. Some such as Gino's and Burger Chef were dropped as entities because of mergers. But generally the same names dominated the list.

The newcomers, though, are indicative of significant changes in the making for the top 100 that may not be apparent at first blush.

ChiChi's, for instance, is a single concept company at present. But the appearance of a Mexican dinnerhouse chain on the list is mirrored by the increasing rapidity with which companies like General Mills, Chart House, Ponderosa and other old-timers are pushing into this business.

And, of course, Pizza Time Theatre's debut is a stand-in, not for the traditional companies, but a host of fledglings, one or more of which—such as Brock's Show Biz Pizza—may themselves see the top 100 list before too long.

TOP 100 GAINS MARKET SHARE

	1981	1982
Total U.S. Food Service Sales	$126 billion (+10.5%)	$138 billion (+10.0%)
Top 100 Sales	$44.9 billion (+13.1%)	$50.7 billion (+12.9%)
Top 100 Ratio of Total U.S. Food Service Sales	35.6%	36.7%

With 85,550 units, the top 100 accounts for only 19% of total units but almost 37% of total sales.

Source: *Nation's Restaurant News* research

FLAT SALES GROWTH OF TOP 100

	1981	1982
Total Sales Increase	13.1%	12.9%
New Units	4.1	5.8
Avg. Menu Price Rise	9.0	6.5
Real Sales Growth	0.0	0.6

The top 100's flat sales growth parallels the averages of other food-service chains.

Source: *Nation's Restaurant News* research

Encouraging signs for the big chains are the July 1 tax cut and a definite cutback in inflation with only a 6% rise in the consumer price index from last year.

NRN FOCUS

CHAIN ANALYSIS—Part I

Corporate ownership of chains soars

By Charles Bernstein

Leading food-service chains are either picking off other chains or being acquired by larger corporations, at an exceptionally rapid pace these days. Tough economic conditions and proliferating costs have made it extremely difficult to go it alone or to expand alone at any sort of reasonable pace.

At the same time, however, a number of major corporations have become disillusioned with the restaurant business and are selling off their chains to other groups. They are finally realizing that success in this business takes a special kind of personal dedication on which they may not be prepared to concentrate all their efforts.

In recent months, chains have been obtaining other chains and new prime sites en masse (rather than having to pay the astronomical costs of obtaining less than the best sites one by one).

Marriott has acquired Host International (which will operate airport terminal feeding and the dinner-houses) and Gino's (to be converted to Roy Rogers). Hardee's purchased Burger Chef from General Foods. Denny's picked off Alphy's and VIP's for the sites. PepsiCo did likewise with Taco Charley's, to be placed in the Taco Bell chain.

Shoney's added Famous Recipe to its stable of entries, while Interna-

(Continued from page 55)

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Major Changes in Corporate Ownership In Latest Year

(Acquired Chains Listed Unless Otherwise Indicated)

Allied Associate Distillers (London) Baskin-Robbins (Formerly owned by Allied subsidiary J. Lyons)	**Campbell Soup** H. T. McDoogal's, Annie A's (Launched)
Bay Bottlers Magic Pan, Proud Popover (Formerly part of Quaker Oats)	**Chart House** Sysco's (Launched) Luther's (Acquired)
Bonanza Peoples (Spun off separately)	**Denny's** Alphy's, VIP's
DeNovo Corp. Tastee Freez (Formerly part of Topsy's)	**Golden Corral** Sirloin Stockade (Formerly part of Lucky Stores) Oh! Brian's (Formerly part of Aspen Group)
Hardee's Burger Chef (Formerly part of General Foods)	**Horn & Hardart** Bojangles
International Dairy Queen Golden Skillet	**Lumara Foods** Arthur Treacher's (Formerly part of Mrs. Paul's Kitchens)
Marriott Host International Gino's	**Morrison** Ruby Tuesday
New York Foods Nedick's (Formerly part of Ogden Foods)	**PepsiCo** Taco Charley's
Ponderosa Casa Lupita	**R. J. Reynolds** Skolnik Bagels
Sea Galley Family Fish Houses (Formerly part of Macke)	**Service Systems** Stouffers Food Mgt.
Shoney's Famous Recipe	**Taubman Co.** A&W (Formerly part of United Brands)

Current List of Chain Corporate Ownership

(Included only if Additional Information Than in Above Charts)

Campbell Soup Hanover Trail, Pietro's, McDoogal's, Annie A's	**Campbell Taggart** El Chico
City Investing Sambo's (34% ownership), Servomation, Motel 6, Red Barn	**Consolidated Foods** Lyons Restaurants
Del Monte (R. J. Reynolds subsidiary) Service Systems, Stouffer's Food Mgt.	**General Foods** GuadalaHARRY'S, Merrywether's, Crock n Block, White Spot (All up for sale)
General Mills Red Lobster, York, Darryl's, Casa Gallardo, Good Earth	**Greyhound Corp.** Greyhound Food Mgt., Burger King (franchisee)

(Continued on page 55)

NRN FOCUS

Corporate ownership of food-service chains continues to soar

(Continued from page 50)

tional Dairy Queen purchased Golden Skillet. This gave both these beleaguered chains hope for capital that could enable them to make a stronger showing in the crowded fried chicken market.

Morrison, a strong Southern food-service management and cafeteria chain, decided it needed another dimension and acquired the promising Ruby Tuesday casual restaurant chain in Tennessee.

In many cases the motivation for acquisition is strictly to obtain a potentially chainable concept. Thus Chart House acquired two Luther's barbecue restaurants in Houston and has hopes of opening over 100 franchised units. And Ponderosa bought the three-unit Casa Lupita Mexican dinnerhouse concept from its Seattle owners with a view toward expansion.

Campbell Soup, which previously sold off its Herfy's fast-food restaurants and has lagged with its Hanover Trail steakhouses, launched its own H. T. McDoogal's and Annie A's casual restaurants with apparent strong expansion potential.

Golden Corral, a rising family steakhouse chain out of Charlotte, N.C., made two big moves with the acquisitions of Oklahoma-based Sirloin Stockade family steakhouses from Lucky Stores and of the Aspen Group (featuring Oh!Brian's restaurants in North Carolina and Pennsylvania).

Private investment groups, often a part of a chain's management team or franchisees, also loomed big in takeovers. Brigham's, Farrell's Krispy Kreme Donuts and Valle's were sold to such groups by Jewel Companies, Marriott, Beatrice Foods and the Valle family respectively. In each case the seller deemed the chain more trouble than it was worth, but the buyer already had a major personal management stake in seeing it succeed.

Quaker Oats recently sold its Magic Pan restaurants to Bay Bottlers of Oakland, Calif., General Foods and the Swiss-based Wienerwald (Lums and IHOP) are trying to sell their restaurants.

A feeling is emerging that a diversity of restaurant concepts must be in a company's arsenal to buttress it against the whims of the economy. In many cases it's either a wide range of chains (i.e., W. R. Grace, General Mills, Pillsbury) or none as indicated by the corporations that are selling their chains.

Look For
CHAIN ANALYSIS PART II:
MENU AND OPERATIONAL ANALYSIS
Coming Next Issue

Current List of Chain Corporate Ownership

Hanson Trust Interstate United	**H. J. Heinz** Burger King franchisee (Puerto Rico)
Hershey Foods Friendly	**Heublein** KFC, H. Salt, Zantigo
Hunt International Resources Shakey's	**Imasco** Hardee's, Burger Chef
Imperial Group Howard Johnson (HoJo, Ground Round, Red Coach, Chatt's)	**International Multifoods** Mr. Donut, Boston Sea Party
L. D. Brinkman Mr. Gatti's	**Ogden Corp.** Ogden Food, Doggie Diners, Gleason Family Restaurants
PepsiCo Pizza Hut, Taco Bell, Taco Charlie	**Pet Inc. (Subsidiary of IC Industries)** Stuckey's
Pillsbury Burger King, Steak & Ale, Bennigan's, Poppin Fresh Pies	**Ralston Purina** Jack-in-the-Box, Continental Restaurants
Royal Crown Arby's	**Trans World** Canteen, Spartan Foods (Hardee's franchise, Quincy's Steakhouse), Hilton International
Trust House Forte Colony Kitchens, Hobo Joe's, Travel Lodge	**W. R. Grace** Far West dinnerhouses, Coco's, Jojos, Del Taco, El Torito, Gilbert Robinson (Houlihan's)

Wienerwald
Lums, IHOP (Both up for sale)

Operator Ownership Of Chains

American Airlines Sky Chefs	**ARA** Davre's
Carlson TGI Friday's, Country Kitchen, Radisson Hotels	**Carson Pirie Scott** Dobbs Houses
Chart House Chart House Steakhouses, Burger King (franchisee), Luthers's, Sysco's	**Collins Foods** Sizzler, KFC (franchisee)
Denny's Winchell's, Alphy's, VIP	**DeNovo** Dog n Suds, B&K fast food, Dairy Isle Restaurants, Tastee Freez
Horn & Hardart Bojangles, Arby's (franchisee), Burger King (franchisee)	**Holiday Inns** Perkins, Pipers, Harrah's
Jerrico Long John Silver's, Jerry's	**K mart** Furr's, Abracadabra
Krystal Dav-Co (Wendy's franchisee)	**Marriott** Roy Rogers, Big Boys Hot Shoppes, Host International, Casa Maria, Charley Brown's
Oak Brook Consolidated Szabo	**Red River Resources** Swensen's
Saga Stuart Anderson's Black Angus, Straw Hat Pizza, Velvet Turtle	**Shoney's** Shoney's Big Boy, Town & Country, Captain D's, Famous Recipe

Wendy's
Sisters Chicken & Biscuits

NRN FOCUS

BURGER SEGMENT

McDONALD'S

Nontraditional course yields slow advance

OAK BROOK, Ill.—McDonald's is seeking nontraditional sites for new restaurants, adding nonbeef menu items at a fast pace and trying to build customer traffic with games, prizes and food giveaways to counter threats posed by market saturation, so-called hamburger fatigue and stepped-up competition from other fast feeders and family restaurant chains.

If the strategy sounds familiar, it is because McDonald's has been following this basic course for about two years with respectable, if not spectacular, results. While systemwide sales may reach $7.8 billion this year, up from $7.1 billion in 1981, per-unit sales adjusted for menu price hikes will rise only 2%.

Even though McDonald's enjoys more than a 6% share of the total domestic restaurant market, the company's critics claim that per-store sales have dropped 8%-10% over the last three years after adjustments for inflation.

For the second consecutive year, new units have opened below the chain's average sales volume of $1.1 million. On the plus side, more than 3,700 McDonald's restaurants report annual sales of $1 million or more.

Aware of possible market saturation, a point which is starting to haunt a number of national chains, McDonald's has been aggressively searching for untapped areas in which to open restaurants.

Overseas

Overseas expansion offers one alternative. One third of the 500 units added to the McDonald's system in 1981 were in foreign countries. Sales from the 1,185 restaurants operating overseas totaled $1.3 billion last year, up 15% from 1980; 19% of total systemwide sales come from overseas restaurants.

In this country, McDonald's appears increasingly interested in alternatives to the traditional roadside restaurant site. More than 1,100 units are now located in shopping malls and storefronts, on college campuses, and in hospitals, airport terminals, museums, and the Toronto Zoo.

McDonald's last year opened two restaurants on the Garden State Parkway in New Jersey and one unit on the East-West Tollway in Illinois. There's also a McDonald's on a riverboat docked at the St. Louis Harbor.

The company has been negotiating with the Chicago Board of Education to provide food service in a pilot program in the city's schools, a task now handled by the city itself and subsidized by the Federal and state governments. The city now provides 325,000 breakfasts and lunches daily at an annual cost of about $70 million.

New menu items continue to play an important role in the McDonald's strategy. The McRib sandwich, a slab of reconstituted pork shaped to look like ribs, covered with a barbecue sauce and onions and served on a roll, is one of the chain's most popular new items.

Ray A. Kroc
chairman of the board

Fred L. Turner
president, ceo

The sandwich, which sells for $1.29 in New York and less in other cities—well below the price of a Quarter Pounder or a Big Mac—has been in test for only a year but is now available in more than 2,000 domestic units. It has been estimated that the sandwich will generate 3% incremental volume when it is rolled out chainwide.

McDonald's will continue to promote the sandwich in television ads throughout the year, aiming it primarily at adult male customers. Late this spring, many units offered free samples of the McRib sandwich at dinner time; last year, some stores gave away Chicken McNuggets as an introductory offer.

McNuggets, introduced in 1980, evidently are a big hit and will be available in all domestic restaurants by the end of the year. The McNuggets, according to one report, accounted for 11% of store sales in the first 1,600 test units and 5% incremental sales.

Faring less well is the McChicken sandwich, now on the menus in more than 4,000 units. The sandwich has been criticized for inconsistency and has generated a low percentage of incremental sales.

McDonald's is testing dessert centers, which in some areas have been placed in the front of mall and storefront restaurants. The centers offer drinks, shakes, pies, cookies and ice cream and are designed to attract passersby who want a snack but don't feel like going into the unit and standing on line.

Other traffic building concepts being added to many new and existing restaurants are drive-thru windows, miniature golf courses and McDonaldland parks. Nearly 80% of all domestic restaurants now have drive-thru windows, which account for 40%-45% of total unit sales and 10%-12% of incremental sales where they are added to existing units.

More than 1,000 units now have parks and several hundred have miniature golf courses.

Promotions

Game-related promotions will be advertised for 24 weeks this year, according to one report in an advertising industry trade paper. McDonald's has had good experiences with such promos in the past; the Build-a-Big-Mac Sweepstakes in 1981, for example, raised customer counts 5%, according to a company spokesman.

One promotion being considered for this summer or fall is a rub-and-win game tied in to the Pac-Man craze. McDonald's is reportedly negotiating with the Midway division of Bally Corp., which holds the Pac-Man licensing rights, and Atari, which markets the home video version.

McDonald's is spending more than $250 million on advertising this year. The first ads produced by the company's new national account agency, Leo Burnett USA, began appearing in May. Some featured the "you-deserve-a-break-today" theme developed in 1971 and resurrected last year. The earliest Burnett ads were aimed at adults and promoted the McRib and McNuggets products.

Breakfast continues to play an important role in McDonald's per-unit sales. Close to 18% of total unit sales come from breakfast, compared to 17.2% in 1980, according to *Restaurant Industry Trends*. The average number of breakfast checks per unit rose 10% last year to 89,700 and average per-person breakfast checks were $2.16.

McDonald's newest store design, the Series 80 model, has cut construction and operational costs. The new store, according to the company, provides 17% cost savings and can be built in 118 days vs. 146 days for the older model. Energy costs in the new store are down 10%. About 85% of all units opened in 1981 were the Series 80 model.

The new store design is the first to use computer-generated volume forecasts to set up each section of a facility, including the cooking area, customer service counters, dining room, drive-thru, and storage space.

New technology also plays an important role in the new units and helps reduce operations costs. The Series 80 models have a french fry computer which uses less energy, a patented french fry scoop, solid state timing devices, a direct-draw shake machine, a computerized order-taking system, and gadgets like a ketchup-measuring device. A new McDonald's restaurant now costs about $750,000 for land, building and equipment.

In reporting first quarter results, Michael Quinlan, McDonald's USA president, said the 2% real sales

(Continued on page 58)

Saturation, competition challenge chain ingenuity

By Roman Czajkowsky

Look for heavy promotions and hard-sell advertising in the fast-food burger segment as chains try to cope with problems posed by market saturation and increased competition.

The new advertising posture is already evident at Burger King and Wendy's, both of which have introduced new national advertising campaigns that focus on food products and quality.

Pricing will also play a major role in efforts to increase traffic, which is no longer growing at the pace the chains became accustomed to in the 70's. Unless the cost of basic commodities rises dramatically, all major burger-oriented chains are likely to keep menu price hikes below 5%

Meanwhile, new menu introductions should continue to be the order of the day. While the diversification makes the chains less dependent on ground beef, which is prone to wide price swings, it's also designed to broaden a chain's customer base. With unit expansion slowed in part because of high interest rates, company officials are looking to new menu items and meal occasions to help boost revenues.

Ironically, the menu diversification is also boosting competition from coffee shops, because broader menu lines have blurred the traditional image of fast-food shops. The key to future success for any burger-oriented chain will be to maintain speed of service and to project a distinctive image in consumers' minds.

Increasing one's market share helps in attaining top of mind awareness, and battling for market share is precisely what burger-oriented chains are now doing. Burger King, for example, has indicated that it is looking to possibly buy a regional chain for conversion to Burger Kings, and Hardee's has become a major factor in the segment with its acquisition earlier this year of 700 Burger Chef units.

One result of this battle for market share is that smaller, weaker concepts are likely to disappear from the scene entirely, a fate in store for Gino's, for example.

NRN FOCUS

BURGER SEGMENT

BURGER KING

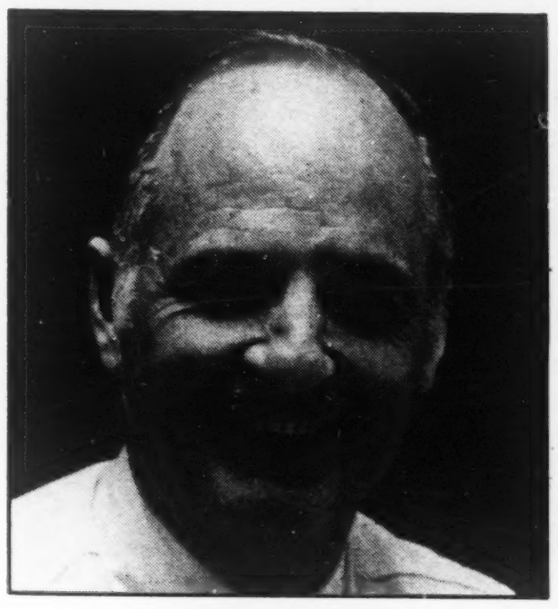
New team developing strategy for growth

MIAMI—Some key strategic changes might be in store for Burger King as a new management team is trying to determine how to revive the sputtering hamburger chain's earnings growth.

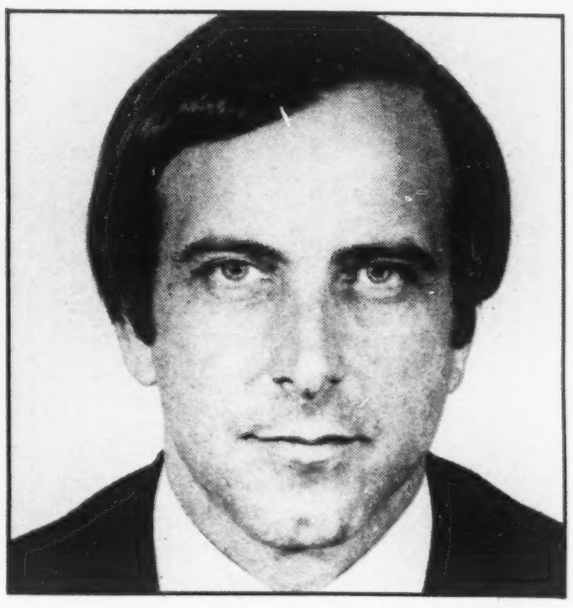
Earlier this year, Norman Brinker replaced Louis P. Neeb as the 3,200-unit chain's chairman and chief executive officer. Shortly before, J. Jeffrey Campbell was appointed to head the 3,000-unit domestic division, and Jerry Ruenheck was named president and chief operating officer of Burger King Corp. Brinker's appointment to the top BK slot—he is parent company Pillsbury's single largest shareholder and founder of its Steak & Ale division—marked the third change at the top in five years.

In each of the past two years, the chain's earnings have grown by about 10%, half the pace set in the mid-70's. And high interest rates as well as sagging profits at newly opened stores have slowed unit growth by as much as one-third. By many accounts, all this has not sat well with Pillsbury, whose earnings have climbed at an average annual rate of 26% since 1971. Burger King contributes about 25% of the parent's overall earnings.

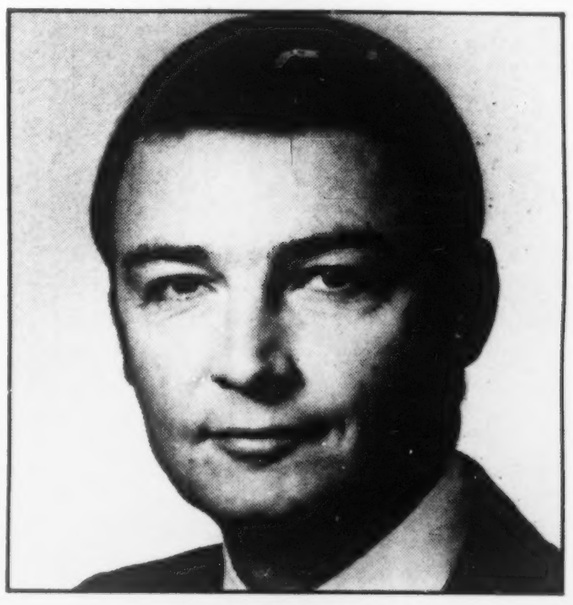
While it's too early to tell just what changes Brinker and the new management team will opt for to achieve the desired growth, on-the-record statements in the past several weeks provide some clues.



Norman Brinker
chairman, ceo



J. Jeffery Campbell
president, BK-U.S.A.



Jerry Ruenheck
president, BK Corp.

For one, Brinker has indicated he'll look at "the whole price/value image" of BK's product, including pricing and presentation. Brinker is known to feel that some of Burger King's products might be overpriced, thus working against one of fast food's traditional appeals.

Burger King's advertising will most certainly continue to emphasize burger products, as the current "Aren't you hungry?" ad campaign does. Past years emphasis on a variety of specialty sandwiches left many franchisees grumbling that the chain's signature item and prime draw, the Whopper, was being neglected. Brinker seems to agree with that sentiment; what's more, there's been speculation that the company's ad agency, J. Walter Thompson, might be dropped. Brinker has denied the suggestion, but told one newspaper that BK will need "more imagination, a stronger strategy" from the agency.

BK's ambitious plans to roll out a variety of dinner platters appear to have been placed on the backburner until a firm overall strategy is in place. And Brinker also indicated that even BK's decor package might be in for a change: "Some colors are today's colors, some are yesterday's," he was quoted as saying.

Chain officials have also said Burger King will be looking to acquire existing restaurants—or even an entire chain—for conversion to Burger King's, a move designed to increase market share.

BK has long given up hope to catch up with the sheer size of McDonald's, its principal competitor. Instead, officials talk about equaling McDonald's store sales within several years. But that objective might be hard to reach: McD's average store sales are $1.1 million, while Burger King's are about $760,000. What's more, McDonald's ad budget is three times that of BK's.

One of Brinker's major tasks will be to restore morale at headquarters and among franchisees. High turnover in Miami and the lack of a clear-cut direction are said to have contributed to Burger King's sagging performance.

Brinker, industry observers agree, has his work cut out for him. The veteran restaurateur, who'll continue as president of Pillsbury's new restaurant group, is viewed as an innovative thinker who takes nothing for granted and to whom nothing is sacred.

But unless he's able to increase Burger King's profitability within the not too distant future, rumors that Pillsbury might sell the chain are likely to persist.

BURGER KING

Fiscal Year Ended May 31

	1980	1981	1982	Current Fiscal Year*
Systemwide Sales (Billions)	$1.80	$2.10	$2.35	$2.60
Average Store Sales	$710,000	$728,000	$751,100	$800,000
Number of Units	2,766	3,022	3,255	3,500

Source: NRN research

*Projected

Burger King Corp. increased menu prices an average of about 4% over the past 12 months.

McDONALD'S

Expect expansion pace to remain steady

(Continued from page 57)

gains should continue or go up slightly over the year. The company plans to hike menu prices about 7% this year, the smallest increase in several years, due primarily to the absence of a minimum wage hike and relatively stable costs of beef.

McDonald's is continuing to reduce its long-term debt, which was $408 million in 1980 and $370 million in 1981. By the end of this year, the debt will have dropped to $300 million for a debt-to-equity ratio of 0.68-to-1, compared to 1.5-to-1 in the mid-1970's and 0.85-to-1 in 1981.

Despite the fact that the company's cash position is improved and it is able to finance new store openings with internally generated cash, McDonald's will not step up its expansion pace. As has been the case for the last few years, the chain will open about 500 restaurants this year, an annual growth rate of about 7%.

McDonald's has increased its ownership of restaurant property to 62% of all domestic restaurants and 30% of restaurants in foreign countries, which means additional income from franchisees in the form of rental fees.

The company has acquired about 250 restaurants and territorial rights since 1979 at a cost of about $91 million.

In 1981, McDonald's net income increased 20% to $264.8 million on a 14% rise in revenues to $2.5 billion. Systemwide sales were up 15% to $7.1 billion.

In a statement at the stockholders' annual meeting in May, Fred Turner, chairman and chief executive, said "we are confident that the company's management depth and financial strength coupled with our commitment to quality operations and creative marketing approaches will sustain our solid growth record throughout the 1980's."

McDONALD'S

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Billions)	$5.3	$6.2	$7.1	$7.8
Revenues (Where Different From Sales) (Billions)	1.9	2.2	2.5	
Net Profit (Millions)	189.0	220.8	264.8	
Average Store Sales	942,000	1.0M	1.1M	1.2M
Average Check Per Person	2.10	2.25	2.60	
Number of Units	5,747	6,263	6,739	7,239

Source: NRN Research

*Projected

McDonald's menu prices, which increased 14% in early 1981, were frozen at domestic company-owned units in the first six months of this year. Menu price hikes of 7% are expected for the year.

In the first quarter of 1982 ended March 31, McDonald's reported a profit of $58.5 million on revenue of $616.7 million and systemwide sales of $1.7 billion.

NRN FOCUS

BURGER SEGMENT

MARRIOTT CORP.

Roy Rogers may boost into leadership role

WASHINGTON—With the conversion of as many as 200 Gino's restaurants to Roy Rogers units in the next 18 to 24 months, Roy Rogers will be catapulted into a leadership position in the fast-food industry and Gino's will be sent into oblivion.

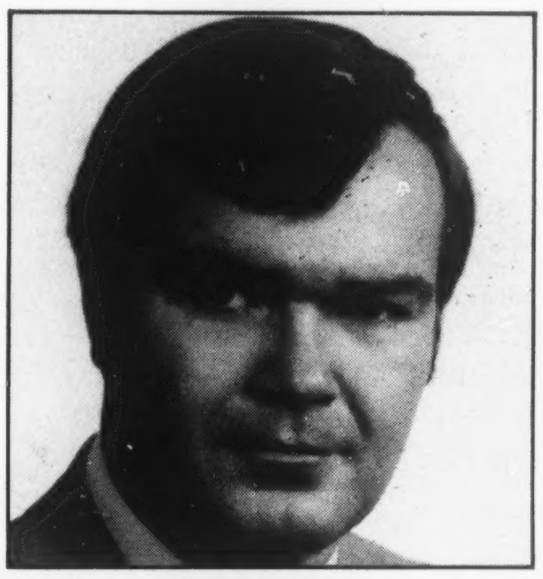
Marriott Corp., which owns both chains, has identified Roy Rogers as a major growth vehicle for the 1980's. With sales conservatively estimated at $275 million annually, Roy Rogers is a medium-sized fast feeder and one of the largest chains in its dominant market, the mid-Atlantic states.

When the Gino's conversions are completed, Roy Rogers will be the fifth or sixth largest fast-food chain in the country in terms of sales, which are now about $900,000 per unit at the 340 operating Roy Rogers restaurants.

In addition to unit expansion through acquisitions, Marriott plans to build units from the ground up in cities and suburban areas along the heavily populated Eastern Seaboard, primarily in Philadelphia, northern New Jersey, Baltimore and Washington, D.C.

Expansion into new markets, especially the Sunbelt and Western states, is planned after the Gino's conversions are finished, perhaps starting in 1984 or 1985, according to Francis "Butch" Cash, the Marriott senior vice president who heads the Roy Rogers restaurant group.

In the meantime, Roy Rogers will continue to position itself as a quality, fast-service family restaurant chain appealing primarily to adults.



Francis Cash
senior vp, Roy Rogers division

The company has identified Wendy's as its main competitor.

To facilitate expansion, Roy Rogers will accelerate its franchising program. About 75 of the converted Gino's units will be operated by franchisees, who now run about 140 of the restaurants in the Roy Rogers system.

About 40% of the chain's older units have been refurbished with new interior furniture and design and outdoor signs. The refurbishing program is continuing; some stores are shut down during such projects with managers enrolled in training programs and some hourly workers offered jobs at other restaurants nearby.

Roy Rogers is testing breakfast in about 10% of its units, but Cash said there are no plans to roll out breakfast chainwide for a year or two. Last year, a large roast beef sandwich and two other sandwiches were rolled out. Testing continues on a chicken filet sandwich.

The 200 Roy Rogers conversions planned over the next two years should make it the fifth or sixth largest chain in the country in terms of sales.

Roy Rogers' menu is built around a roast beef sandwich and includes the other sandwiches, hamburgers, a chicken platter and a salad bar.

Advertising and promotions will continue to be geared to adults, except for one summer promotion tied in to the video game craze and geared to children. Marriott in June acquired rights to the use of Ms. Pac-Man from Bally Manufacturing Corp.'s Midway division for a contest featuring cash and food prizes.

The promotion, which is running in some Roy Rogers markets through Sept. 30, will feature instant winner prizes. Ms. Pac-Man is the successor to Pac-Man, the most popular video game.

Acquisition

Marriott Corp. acquired Gino's earlier this year for $48 million and assumed a $40 million Gino's debt. In the deal, the company acquired 313 Gino's units, 45 franchised Kentucky Fried Chicken restaurants, 112 Rustler budget steakhouses, 70 closed restaurants, and one H. I. Ribsters rib restaurant in Annandale, Va.

Heublein Inc., KFC's parent, plans to buy as many as 80 Gino's and KFC units from Marriott. About 200 will be converted to Roy Rogers and the others will be sold.

The Marriott Restaurant Group has 549 company-operated and 1,083 franchised restaurants in 46 states, Canada and Japan. They include 340 Roy Rogers; 197 company-operated Big Boy coffee shops; 955 franchised Big Boys, many of which do not pay royalties; 14 Big Boy Jr. fast-food units; two Jr. Hot Shoppes; seven Hot Shoppes restaurants and 17 cafeterias.

Roy Rogers and Big Boy account for about 85% of the Restaurant Group's operating income, which in the first quarter ended March 26 was $5 million, up from $4.7 million in the same quarter the year before, on a 2% rise in sales to $95.5 million.

Operating income in 1981 for the Restaurant Group rose to $38.5 million from $29.6 million the previous year on sales of $446.4 million, up from $414 million in 1980. Most of the increases were attributed to the opening of new restaurants and price increases.

Customer counts have been flat for the last couple of quarters. Company officials blame it on the recession and see an improvement in customer traffic in the third and fourth quarters this year.

Sales Up

Sales at Marriott's Big Boy units are "up strongly" on the West Coast but flat elsewhere in the country. Big Boy coffee shops in the East are expanding their salad bars and testing new menu items, including new sandwiches and hot entrees.

Marriott has no plans to expand its Big Boy or Hot Shoppes concepts in the near future, although several of the Gino's units may be converted to Big Boy coffee shops. The Gino's and Rustler restaurants will continue to operate until they are converted or sold.

MARRIOTT CORP.

Fiscal Year Ended Jan. 1, 1982 (Fiscal 1981)

	1979	1980	1981	Current Fiscal Year*
Sales (Millions)				
Hotel Group	$541.8	$656.1	$820.9	$975
Contract Food Service	$479.7	$529.7	$599.0	$587.2
Restaurant Group	$370.4	$414.0	$446.4	$455.3
Theme Parks	$83.9	$84.8	$94.6	$95
Cruise Ships	$33.9	$33.9	$39.2	$38
Total (Billions)	**$1.5**	**$1.7**	**$2.0**	**$2.2***
Net Income (Millions)	**$71**	**$72**	**$86.1**	—
Operating Income (Millions):				
Hotels	$87.7	$102.9	$114.8	—
Contract Food Service	$31.3	$39.8	$45.5	—
Restaurant Group	$29.4	$29.6	$38.5	—
Theme Parks	$17.5	$16.6	$17.7	—
Cruise Ships	$4.0	$3.8	$2.7	—
Total	**$170.0**	**193.0**	**$219.3**	—
Number of Restaurant Units				
Dinnerhouse**	2	0	52	52
Roy Rogers	256	287	325	395
Big Boy+	1,081	1,136	1,182	1,182
Gino's++	0	0	200	130
Cafeterias (Hot Shoppes, Hot Shoppes Jr.)	28	29	25	25
Big Boy Jr.'s	14	15	15	15
Number of Hotel Rooms	26,284	30,169	40,554	55,000

Source: NRN Research

*Projected (Total includes recently acquired Host Group, which is not listed.)

**Marriott sold its dinnerhouses to Host International in 1980 but acquired Host earlier this year and in the deal got airport concession stands and the dinnerhouses.

+Big Boy is the national coffee shop chain acquired by Marriott in the late 1960's. Because of the way some of the original franchise contracts were written prior to Marriott's involvement, about 40% of the franchised units do not pay a franchise fee to Marriott. Marriott operates about 210 Big Boy units and collects franchise fees from about 600 others. About 375 franchised Big Boy restaurants do not pay a franchise fee.

++Marriott acquired Gino's Inc. earlier this year, which brought 313 Gino's restaurants, 45 franchised KFC restaurants, 112 Rustler steakhouses, one H. I. Ribsters rib restaurant, and 70 closed restaurants into the Marriott system. About 200 Gino's will be converted to Marriott's Roy Rogers concept in the next two years; the other restaurants will be sold; KFC has already bought 80 of them.

Menu prices at Marriott-owned restaurants and room prices at hotels have exceeded the inflation rate this year.

In the first quarter of this year ended March 26, Marriott reported profits of $16.9 million on systemwide sales for all operations of $243.6 million.

NRN FOCUS

BURGER SEGMENT

WENDY'S INTERNATIONAL

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Billions)	$1.0	$1.2	$1.4	$1.7
Revenues (Where Different From Sales) (Millions)	$274.0	$350.0	$490.4	$650.0
Net Profit (Millions)	$23	$30	$37	$42
Average Store Sales	$620,000	$627,100	$673,600	$720,000
Average Check Per Person			$2.05	$2.15
Number of Units	1,818	2,034	2,229	2,400

Source: NRN research

*Projected

For the first quarter ended March 31, Wendy's International reported net income of $8.1 million on revenues of $138.4 million. Menu prices rose between 4%-6% over the past 12 months.

WENDY'S

Expanded dinner business and a new ad image for '82

DUBLIN, Ohio—Wendy's focus for the immediate future will be on expanding its dinner business. To this end, the 2,300-unit hamburger chain is testing a series of dinner plates in the Cincinnati market area.

This summer is also seeing the introduction of a new advertising campaign. Gone is the controversial "Ain't no reason" theme; in its place, Wendy's has unveiled a drive keyed to the theme, "Wendy's kind of people."

It focuses on Wendy's customers and also highlights food preparation, variety and quality. Aside from being panned for its grammar, the old campaign garnered some criticism from varied quarters for being too generic and unfocused.

The chain is apparently not unduly worried that its continuing menu diversification might befuddle its image. Only two years ago Wendy's was a strictly hamburger-oriented concept.

In a move to lessen its dependency on beef, a series of products has been introduced since, including a salad bar and chicken sandwich. At the moment, the chain is rolling out a fish sandwich, now available in over 120 units. Wendy's is also introducing a breakfast line, albeit on a cautious, store by store basis. The line is carried by some 70 restaurants.

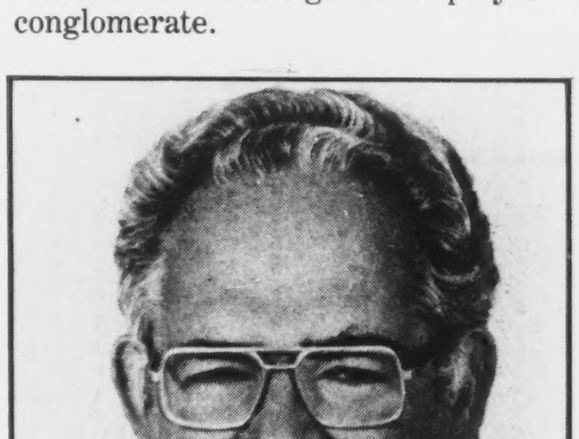
The dinner plates now being tested in 28 company-owned restaurants include a fish fillet, chili and spaghetti, beef with mushroom sauce, beef with gravy and chicken parmegiana.

How the new menu items will affect Wendy's sales remains to be seen. But increasing average store volumes is one major challenge for the 13-year old chain. In 1981, average unit sales were $673,600, up from the $627,100 the year before. Those numbers, however, are below those of the chain's prime competitors, McDonald's and Burger King. One way Wendy's will be looking to increase its return-on-investment is by building smaller, and therefore less costly units for certain markets.

But the overall pace of new building has slowed. High interest rates have particularly affected Wendy's franchisees, who last year opened 129 new units, down from the peak of 340 in 1979. This year, a total of about 215 new restaurants should be added to the system, about the same as last year.

Meanwhile, the Dublin, Ohio-based company continues expanding its new Sisters Chicken & Biscuit restaurant concept. By year's end a total of 36 Sisters are projected.

Wendy's, whose principal officers are founder and chairman of the board R. David Thomas and president and chief executive officer Robert L. Barney remains one of the few fast-food chains not gobbled up by a conglomerate.

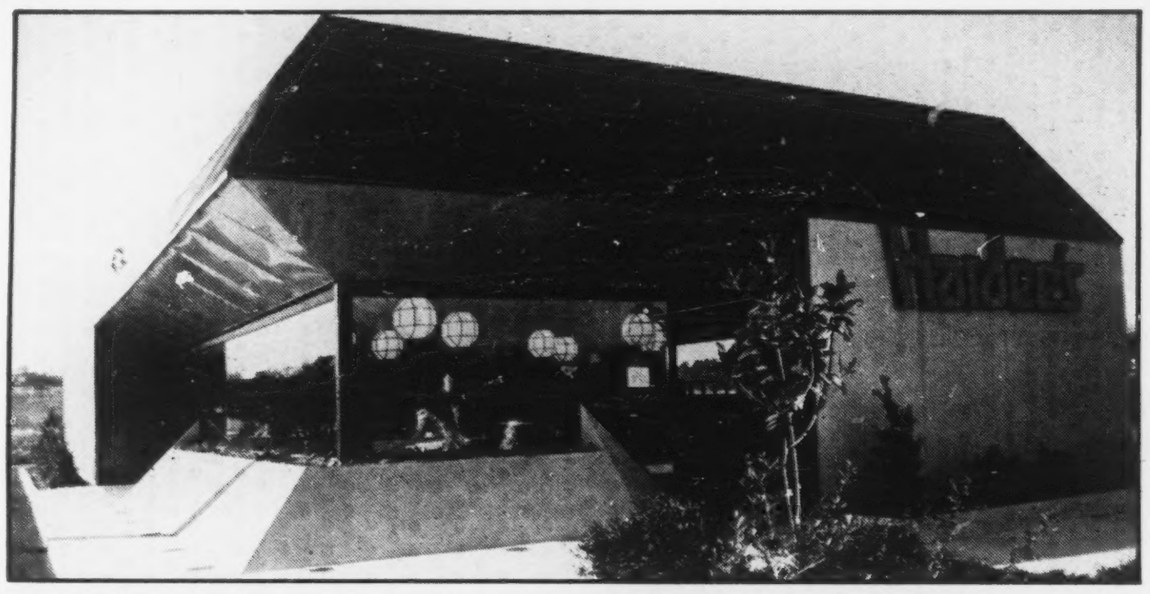


R. David Thomas
Wendy's founder & chairman

HARDEE'S

Plan new burger rollout, more conversions

Jack Laughery
president, ceo



Hardee's is testing a new unit prototype with an expanded kitchen containing both cold sandwich and heated make-up areas.

ROCKY MOUNT, N.C.—Systemwide rollout of the bacon cheeseburger sandwich and the conversion of an undetermined number of Burger Chef stores to Hardee's prototypes will be the burger chain's main objectives for the first half of the coming year.

The bacon cheeseburger, adopted from the Burger Chef chain, will be in all stores by next March. Other items in test include a beef brochette platter, seafood platter, roast pork sandwich developed by a Hardee's franchisee and a roasted chicken dinner being tested in an Indianapolis Burger Chef unit.

Last month a new unit prototype, nicknamed the Dual Use Fast Feed, was opened in one location for testing. The new unit's kitchen has, in addition to a traditional cold sandwich make-up area with refrigerated condiments, a new heated make-up area which can hold hot, finger breakfasts and dinner platters; food from the new area passes through to a transfer bin where cashiers can pick it up.

Integrating the 700 new Burger Chef stores into the approximately 1,300-unit chain is being done very slowly, starting with a test market. Ten stores in Terre Haute, Ind., have been converted to Hardee's company-owned stores.

"How things go in this market," says Daniel Somers, senior vice president of finance, "will indicate the timing and pacing of future conversions." There is one original Hardee's in the Terre Haute market.

Beside the acquisition of the Burger Chef chain, Hardee's will continue to seek expansion, mostly from franchisees. Sommers estimates that the system will grow by 100 stores in the coming year, in addition to the year's possible 250 Burger Chef conversions.

HARDEE'S

Fiscal Year Ended March 31

	1980	1981	1982†	Current Fiscal Year*
Systemwide Sales (Billions)	$750M	$922M	$1.14	$1.6
Revenues (Where Different From Sales) (Millions)	$355	$433	$646	
Operating Profit (Millions)	$25	$32	$42	
Average Store Sales	$609,260	$707,055	$778,000	$733,000
Number of Units	1,231	1,304	1,465	2,200

Source: NRN research

*Projected

†Does not include the 700 stores purchased from Burger Chef in March of 1982 just before the close of Hardee's fiscal year.

Hardees has had no menu price increases in the past year.

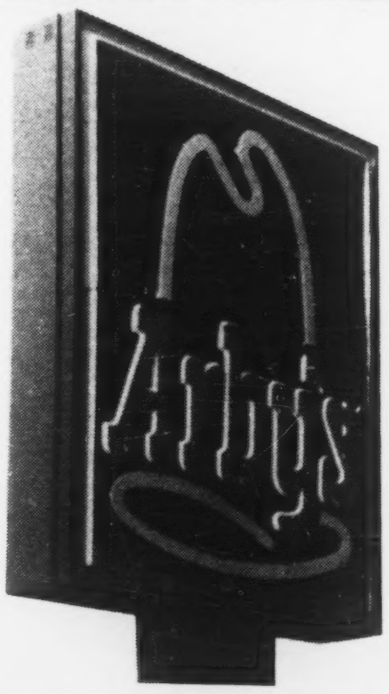
Personnel Changes

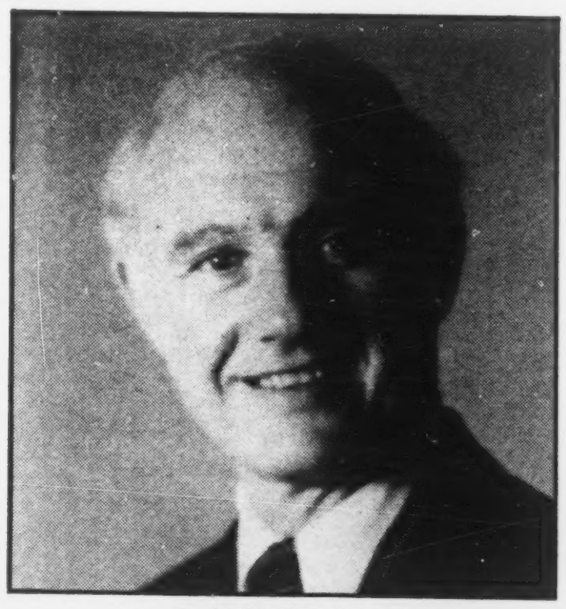
Lines of command at the chain recently underwent a number of changes with more day-to-day control going to president and ceo Jack Laughery. Precipitated by the resignation of marketing and operations vice president Bo Batchelder, the shake-up has resulted in senior vice presidents for operations and marketing reporting directly to Laughery.

Hardee's will continue its $4 million Road Runner ad campaign while launching a number of promotions in addition to the now two-month-old Smurf glass promo.

NRN FOCUS

BURGER SEGMENT





Jeff McMahon
president, ceo

ARBY'S

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$432.9	$477.5	$526.5	$591.3
Revenues (Where Different From Sales) (Millions)	$75	$70	$70	$85
Operating Profit (Millions)	$11.0	$6.6	$7.9	
Average Store Sales	$466,000	$453,000	$460,000	$472,000
Average Check Per Person	$1.70	$1.86	$2.08	$2.15
Number of Units	928	1,053	1,144	1,252

Source: NRN research

*Projected

ARBY'S

Greater penetration goal in existing major markets

ATLANTA—Arby's is testing a number of new sandwiches and has a new ad campaign set for fall. Broad strategy calls for greater penetration in already existing major markets.

Last month the chain began testing the new sandwiches in units close to headquarters. Experiments with hot and cold deli sandwiches similar to those rolled out this past year will probably be in all units by the end of 1982.

Larry Krueger, senior marketing vp, said that the company will be changing its ad campaign (although not its agency) this fall. The old campaign was designed to equate Arby's with roast beef sandwiches.

"We wanted to say, hey look at us world, we're roast beef," says Krueger. "Next year we will design a campaign that will create more of a desire for roast beef" over other types of fast food.

Despite the fact that "the market is no longer expanding," officers at Arby's say current sales and profits are better than they were this time last year.

"Unemployment is working against us," says Krueger, "but the cost of living, cost of food and increase in consumer spending are all in our favor."

Arby's expects systemwide sales to reach $591.3 million this year, up 12% from $527 million in 1981.

Increased sales, Krueger says, will come from the competition. Strategy emphasis will be on creating a point of difference for Arby's rather than building new stores. Nevertheless, as president of the Arby's Franchise Association, Krueger says that the company is still looking for franchisees to fill out some markets as well as expecting existing licensees to do the same.

The company will have built 108 stores by the end of this year, which Krueger says "is pretty close to plan. We knew money would be tight." No plans for store openings in 1983 have been set yet.

Other changes at Arby's include the ongoing remodeling program for company stores and the promotion of Jon Ritt from director of marketing research to vice president of marketing. Director of marketing research was a position created just for Ritt which Arby's now seeks to fill.

JACK-IN-THE-BOX

Steps up drive to franchise 'substantial' number of units

SAN DIEGO—Jack-in-the-Box is developing, testing and rolling out new menu items and stepping up its efforts to franchise what one spokesman calls "a substantial number" of its existing 800 restaurants.

At the same time, the regional fast feeder is spending $37 million this year upgrading many older restaurants as part of an overall image enhancement program started in 1980, just after the chain closed nearly 300 units in the Midwest and East.

Since that time, Jack-in-the-Box, part of Foodmaker Inc., a subsidiary of Ralston-Purina, has reversed its fortunes: operating profits rose nearly fourfold from 1979 to 1981 even as the size of the chain shrunk from 1,044 to 795 units.

About 80% of Foodmaker's 1981 sales of $578.3 million came from Jack-in-the-Box. Foodmaker also operates 85 dinnerhouses with 24 different names and concepts in 14 states. Foodmaker's fast-food and full-service restaurants account for about 11% of Ralston-Purina's total sales and operating profits.

In the last two years or so, Jack-in-the-Box has added numerous products to its menu while removing some marginal performers. The new products fall into three basic categories: specialty sandwiches, croissant breakfast sandwiches and salad platters.

Prepackaged taco, chicken and chef's salads were rolled out this spring. Selling for $2.19 each, the salads have been performing well, according to Jay Brown, marketing vice president. "We expect most impact to be on lunchtime business," he said.

The new Crescent breakfast sandwiches were rolled out in late February, replacing French toast and omelets on the breakfast menu. Served on croissants (a flaky, crescent-shaped roll), the Crescent sandwiches are filled with an egg, two types of cheeses and a choice of ham, bacon or sausage; the price is $1.29. A Crescent Supreme, filled with an egg, two cheeses and bacon and ham sells for $1.45.

Breakfast sales chainwide have "about doubled" since the new sandwiches were introduced, Brown said.

Earlier this year, a fifth Supreme specialty sandwich—hot roast beef and cheese—was added to the Supreme sandwich line which includes a club sandwich, hot ham and cheese, chicken, and a bacon cheeseburger.

"They've done very well and are an important part of the sales mix," Brown said. Another Jack-in-the-Box executive recently was quoted as saying specialty sandwiches account for about 30% of unit sales.

Other new menu items are in the development stages and will be tested and rolled out in coming months, Brown said.

Meanwhile, Jack-in-the-Box is putting a franchising program into place. Three units have been sold to franchisees and in the next couple of years between 40% and 70% of all Jack restaurants will be franchisee-operated, according to Bill Rulon, Foodmaker's secretary and treasurer.

Rulon said Jack-in-the-Box will continue to operate a large number of its own restaurants. Expansion of the chain will be limited to only a few new stores in coming months as the franchising program is set up, he said.

Most Jack-in-the-Box restaurants are situated in the West and Southwest, with the heaviest concentration of units in California and Texas.

This year's capital spending program includes image enhancement of older units with exterior and interior design changes and the installation of computerized order-taking and checkout systems. About 70% of the units have already been renovated at costs ranging from $30,000 to $250,000 each.

(Continued on page 66)

FOODMAKER INC.

Fiscal Year Ended Sept. 30

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$549.6	$512.4	$578.3	$620.8
Fast-Food Units	$468.4	$414.5	$455.4	$495.0
Full Service		$97.9	$122.9	$125.8
Operating Profits (Millions)	$11.5	$38.5	$43.7	$46.5
Average Store Sales Fast-Food	$450,000	$500,000	$568,000	$618,000
Full Service (Millions)		$1.4	$1.5	$1.6
Number of Units† Fast Food	1,044	803	795	800
Full Service		72	85	85

Source: NRN research

*Projected

†Foodmaker Inc., a wholly owned subsidiary of Ralston-Purina, operates about 800 fast-food restaurants, most of them Jack-in-the-Box units, and about 85 full-service restaurants with many different names and concepts.

Ralston-Purina does not break out sales and operating profits for its individual subsidiaries during the year. The company said at the end of its first half on March 31 that restaurant sales were up slightly over the same period a year earlier. Ralston-Purina reported total sales of $2.5 billion for the first six months of fiscal 1982; restaurants account for about 11% of that figure.

NRN FOCUS

BURGER SEGMENT

CARL KARCHER ENTERPRISES (CARL'S JR.)

Fiscal Year Ended Jan. 30

	1980	1981	1982	Current Fiscal Year*
Systemwide Sales (Millions)	$138.6	$171.9	$200.6	$250
Net Profit (Millions)	$4.3	$5.0	$6.9	$8.9
Average Store Sales	$485,000	$556,000	$665,000	$735,000
Average Check Per Person		$2.61	$3	$3.30
Number of Units	270	285	309	345

Source: NRN research

*Projected

Menu prices increased about 13% in fiscal 1982.

In the first 16 weeks of fiscal 1983 ended May 21, Carl Karcher Enterprises Inc. reported net earnings of $2.4 million on sales of $64.2 million. The company operates more than 300 Carl's Jr. fast-food restaurants and two Sunshine Broiler full-service family restaurants. Figures for average store sales, average checks per person and number of units are for Carl's Jr. units only.

CARL KARCHER

First Carl's Jr. units in Arizona could open soon

ANAHEIM, Calif.—With new items on its menu, $15 million in company coffers from a recent stock sale and a new advertising campaign, Carl's Jr. is opening 35 restaurants in California and Nevada this year and for the first time is expanding outside that market and into Arizona.

Most of the Arizona development will take place in the Tucson and Phoenix Metropolitan Areas, according to Carl Karcher Enterprises Inc., the parent company. Most of the 309 Carl's Jr. restaurants are situated in the Los Angeles-Orange County area.

All restaurants in the system are serviced by a company-owned commissary and distribution center, which will be used by the new restaurants in Arizona as well. The company says recent surveys show that California and Nevada markets can support 200 additional Carl's Jr. restaurants.

Carl's Jr. is an upscale fast-food restaurant chain which sells hamburgers, a full line of breakfast products, a fried burrito called a Crispirito, and fish, chicken, roast beef, and steak sandwiches. Most units have a self-service salad bar and offer a special menu item for children.

Units are carpeted and have lightwood paneled walls. Food is cooked to order, except at peak hours, and hostesses bring meals to the customers. Average per-person checks are about $3. Menu prices rose about 13% in calendar 1981.

The company plans to heavily promote its breakfast menu which was rolled out chainwide last year. A Sunrise sandwich is the main breakfast item. A chicken sandwich was also rolled out in 1981 and the company introduced a Crispirito—a flour tortilla with ground beef, Swiss cheese and green chilies. There are plans for additional new product testings during the current year.

New television ads using the slogan, "Ooh, I like it," are being aired in California and Nevada. The ads concentrate on food quality and feature former child star Moosey Drier as a restaurant employee.

Average per-unit sales are now about $665,000. The 21 new restaurants which opened in 1981 reported average unit sales of $792,600 and one unit in California had annual sales last year of more than $1.5 million.

Carl Karcher Enterprises Inc. reported a net profit of $6.9 million on systemwide net sales of $200.6 million in fiscal 1982, ended Jan. 30. Sales rose 15.4% compared to fiscal 1981 as a result of new units, higher per-store sales and menu price increases.

In the first 16 weeks of fiscal 1983 ended May 21, the company reported a 126% rise in net income to $2.4 million on a 12% sales increase to $64.2 million.

Carl Karcher Enterprises also operates two Sunshine Broiler full-service family restaurants.

The company discontinued operations at its Taco de Carlos Mexican fast-food chain in 1981 and sold 16 units. The remaining seven units are in the process of being sold.

The 41-year-old company went public last fall, issuing 1.2 million shares and raising $15 million in equity capital.

It now costs approximately $756,000 to build a new Carl's Jr. unit from the ground up, with $275,900 for land; $338,000 for building; $96,000 for site improvements, and $146,000 for equipment.

Food and beverage costs were 35.6% of total sales in fiscal 1982, compared to 36.6% the previous year. Labor costs rose to 25.5% of sales from 24.8% in fiscal 1981.

Carl Karcher is chairman and chief executive and his brother, Donald Karcher, is president and chief operating officer.

SONIC

Looks to strengthen unit management, test entree

OKLAHOMA CITY—Sonic Industries, operator of franchises and company-owned drive-in restaurants throughout the Southeast, is testing a new steak finger platter.

The company is testing the new menu item in Kansas City, northern Arizona and Houston. The initial results for the $2.95 plate of deep fried fingers, fries, gravy and toasted bread have been good and the new item could be rolled out companywide within six months if testing continues to be successful.

Leadership

Much current attention is also going to strengthen unit management in the coming year. Of the 1,000 Sonic Drive Ins, 900 are franchised and have been the cause for concern by company officials.

"It's a mix of store level and middle management not staying long enough to make an investment in their future," says vice president Chet Horne. The result has been inconsistency in sales performance with the older franchisees doing much better.

Horne says last year was one of the best for many of the drive-ins, yet the company suffered an overall loss.

"Some managers are blaming the economy for poor sales, but overall it has not hurt the day-to-day operations financially," says Horne.

Next Moves

An attempt is being made to consolidate geographically for easier supervision of managers.

The company plans to centralize at least three premium promotions during the coming year and will offer all stores promotional materials put together at store level. Previously franchisees paid for and designed their own promotional materials.

SONIC

Fiscal Year Ended Aug. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$275	$279	$284	$285
Revenues (Millions)	$38	$33	$30	$30
Net Profit	$1.8 Million	$295,700 (Loss)	$538,400	$1.8 Million
Average Store Sales	$232,000	$248,440	$265,000	$257,600
Number of Units	1,182	1,123	1,046	1,004

Source: NRN research

*Projected

JACK-IN-THE-BOX

Customer counts increase

(Continued from page 64)

None of the new products have necessitated any major equipment purchases. A special gadget is used to fry an egg in a crescent shape to fit on the croissant and small refrigeration units have been installed to hold the salads.

Sales and customer counts which were soft last fall and winter are "pretty strong" right now and the chain has been posting "very positive real growth," Brown said.

Jack-in-the-Box systemwide sales are expected to be close to $500 million by the end of the current fiscal year on Sept. 30. Foodmaker's operating profits are expected to rise to $46.5 million from $43.7 million in fiscal 1981 on an increase in systemwide sales to $620.8 million from $578.3 million.

Foodmaker's dinnerhouses, which include Barclay's Seafood, Peoria River Station and Carlos Murphy's Irish Mexican Cafe have an average unit volume of $1.6 million. The restaurants are expected to post systemwide sales of about $126 million this year.

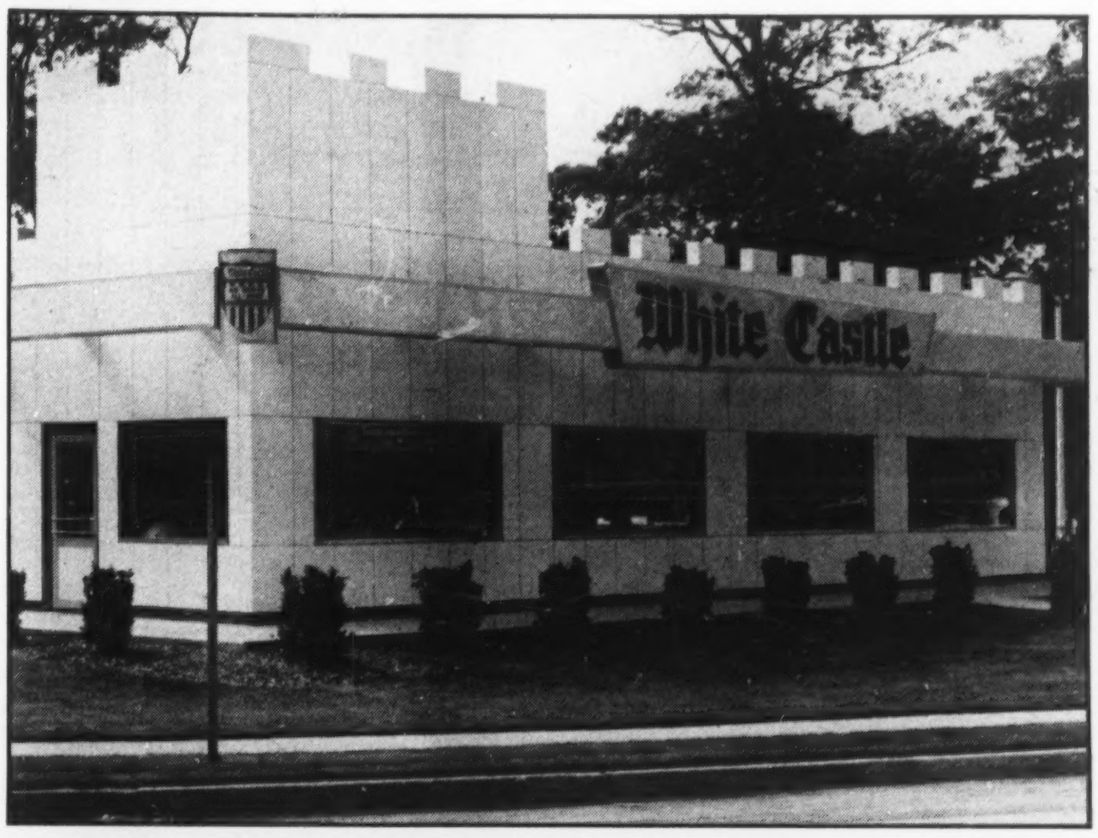
Jack-in-the-Box has converted a handful of restaurants in Oklahoma to a healthy foods concept known as Apples but has no plans to expand the experiment or test other concepts in the near future, Rulon said.

Jack W. Goodall Jr. is president and chief executive of Foodmaker Inc.

Jack W. Goodall Jr.
president

NRN FOCUS

BURGER SEGMENT



The familiar suburban White Castle unit which has served the company so well may give way to more downtown and mall locations.

WHITE CASTLE

Walk-in and drive-thru units planned for chain's future

COLUMBUS, Ohio—TV's Jefferson's found their destiny "movin' on up to the East Side." White Castle officials say their thinking is that the burger chain's future may be in movin' on downtown or into shopping malls.

Traditionally, White Castle has gone with suburban locations. This year, however, a walk-in unit was tested in downtown Columbus; results are not yet conclusive. The company is considering other walk-in units, such as those found in suburban malls.

Two or three drive-in units are being planned for the coming year based on the great number of take-out sales per unit.

"But these will only be successful," says marketing vice president Russell Crouthers, "if the check size is high and people buy more than one burger."

White Castle has built a hamburger fortress based on its 24-hour stores and 28¢ hamburgers. The menu is still limited to burgers and a fish sandwich; menu development as most chain's practice it does not take place at White Castle.

The company has a record of steady sales growth and has achieved unit volumes of competitor's over 50 times its size. In the coming year White Castle will fund its new units with profits and not borrowed funds.

E. W. Ingram Jr.
chairman of the board

Edgar W. Ingram III
president, ceo

WHITE CASTLE

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$147	$156	$172	$184
Average Store Sales	$955,000	$981,000	$1.06 million	$1.1 million
Average Check Per Person	$2.25	$2.25	$2.50	$2.70
Number of Units	154	159	162	166

Source: NRN research

*Projected

THE KRYSTAL CO.

Po Folks deal signals beginning of a new era

CHATTANOOGA, Tenn.—The Krystal Company, operators of one of the country's original fast-food chains, starts a new era this month with the opening of its first franchised Po Folks restaurant in Jacksonville, Fla.

Krystal has signed an agreement to open 77 Po Folks in the next eight years in parts of Florida, Alabama, Mississippi, Arkansas, Virginia and North Carolina. A total of eight units will be developed by Krystal by the end of 1983.

A family restaurant chain specializing in Southern-style chicken and seafood, Po Folks is a privately owned company with about 25 restaurants. Po Folks earlier this year turned down Krystal's offer for a first refusal buy-out option linked to Krystal's decision to become a Po Folks' franchisee.

"Po Folks is what everybody in the business is looking for," Gordon Davenport, chairman of DavCo Food Inc., a Krystal subsidiary, said at the time the agreement was signed. "We were looking for something to diversify with that wasn't beef related. We're hedging our bets on the price of beef this way."

Davenport said Krystal had surveyed 175 companies for diversification purposes but "Po Folks was head and shoulders above the rest as having the best investment-to-sales ratio."

(The average Po Folks unit has annual sales of about $900,000. The 4,000-sq.-ft. units seat 150. Most Po Folks are in converted restaurants; conversion costs are about $100,000 per unit. A new Po Folks unit costs $350,000 to build.

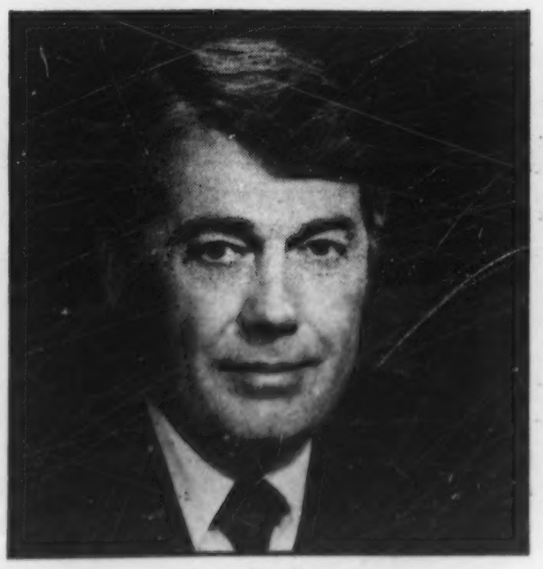
In addition to its 210 company-owned Krystal hamburger restaurants, the Krystal Company also operates 66 franchised Wendy's restaurants in Baltimore, Washington and St. Louis and three family restaurants known as The Loft in Chattanooga, Memphis and St. Louis. The Wendy's units are operated through the DavCo subsidiary.

Founded 50 years ago in Chattanooga, Krystal's fast-food hamburger restaurants specialize in low-priced hamburgers, chicken and breakfasts. Krystal's 1-oz. burger sells for about 31¢. The company recently rolled out a biscuit breakfast menu which includes six biscuit-based items priced from 45¢ (for a biscuit with honey or jelly) to 95¢ (for a steak and biscuit sandwich).

A 69¢ chicken sandwich which uses the hamburger roll was rolled out this year in all Krystal restaurants.

Though Krystal has a low per-person check average of $2.14, average unit sales are approaching $700,000 this year. Systemwide sales are about $150 million.

Rody B. Davenport III is chairman of The Krystal Company and Carl D. Long is president. Gordon Davenport is chairman of DavCo Food Inc. and Clyde E. Culp is president.



Carl D. Long
president

KRYSTAL

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$119.0	$120.0	$138.5	$150.0
Average Store Sales	$600,000	$620,000	$687,000	$700,000
Average Check Per Person	$1.90	$1.97	$2.14	$2.14
Number of Units	198	204	210	218

Source: NRN research

*Projected

Krystal has not raised menu prices this year; menu prices were raised 8½% in 1981.

Krystal reported systemwide sales of $31.4 million in the first quarter of 1982.

NRN FOCUS

CHICKEN SEGMENT

Newcomers pressuring fast-food chicken titans

By Rurick Telberg

Spicy chicken, biscuits and breakfast figure to play an increased role as insurgent fast-food fried chicken chains battle for market share.

The real action in the chicken segment is among the up-and-coming chains which were full-born with new menu items that the titans of the industry are finding hard to standardize for chainwide use.

Kentucky Fried Chicken is testing a biscuit breakfast but its main growth this year will be overseas. Apparently Heublein strategists see a KFC-saturated United States.

Church's is still running a distant second but is showing profit gains despite a recession-driven sales slump.

KFC secured the Houston market from a 70-unit Church's franchisee in a move Church's is challenging in court. The move would seem to hurt Church's—Houston is in the backyard of the San Antonio company—more than it helps KFC.

Up-and-comers include Popeye's which is becoming a national presence. The Louisiana-based chain is credited with popularizing spicy chicken.

Bojangles, a Horn & Hardart property, could double in size this year with 100 new units. Mrs. Winner's is battling Bojangles in the Southeast with biscuits.

Dairy Queen and Shoney's Inc. will both be contenders in the segment with their new acquisitions, Golden Skillet and Famous Recipe, respectively.

In the crossover to the dinnerhouse style, Grandy's of Texas seems poised to go public, but Sister's, a Wendy's concept, is still proceeding with caution.

Ron's Krispy and Tinsley's have carved out strong bases in Texas, as has Pioneer in Los Angeles.

Chick-fil-A expects solid growth despite the fact it is a strictly mall-sited operation. And Chicken George is reporting phenomenal volumes in its inner-city stores.

CHURCH'S

Chain is battling back with new strategic plans

SAN ANTONIO—Buffeted by the loss of 77 franchised restaurants in the Houston market area and continued high unemployment among its large customer base of inner city poor, Church's is reacting with strategic menu changes, a new heavily backed ad campaign, and increasing efficiencies at the unit level.

The program promises to maintain and boost a strong bottom line, even while systemwide sales and revenues linger in doldrum latitudes.

Latest Church's move is the current rapid rollout of french fried okra, in progress at presstime. Roger Harvin, board chairman, said the decision to move the company's newest product into all 1,027 chicken stores was based on "an excellent level of acceptance in all areas of the country."

Most important to menu strategy is Church's repositioned chicken menu. Two pieces of all-white had been selling for $1.29, two pieces of all dark for $1.19 and one white plus one dark piece for $1.09. Now in low income areas the popular all-dark order has been dropped to $1.04. The all-white order, popular in higher income areas where customers actually said they felt prices were too low, was raised to $1.34.

The net effect, said Harvin, is to raise prices 1.5% to 2%. Meanwhile, he said, the change is boosting sales in key markets like Cleveland.

The program will have other advantages including substantial cuts in product waste, Harvin said.

Backing product changes and also fitting in neatly with Church's current expansion strategy is its new "We make chicken a juicy deal" ad campaign. Based on research showing that most people think fried chicken is greasy, a new ad agency developed the campaign. The word 'deal' refers to the fact that Church's tries to underprice competitors from 5% to 20% depending on the market.

Bill Storm, financial vice president, said the campaign fit into Church's five-year plan to establish a strong presence in suburban shopping malls of key cities.

Chicago, Detroit and Los Angeles were identified by Storm as "major cities that are important to our company store strategy."

The company also plans a strong marketing and advertising push into locales where it has only a minor presence but thinks it can have a major one. Atlanta is one such market and Storm noted that $600,000 was earmarked for Church's advertising in Atlanta this year.

Increased efficiency and the potential for a renewal of rapid expansion are also promised in a space-saving store design and modular construction method. Along with more sophisticated site selection, the improvements are already showing results, Harvin said.

(Continued on page 74)

KFC

Segment leader embarking on rapid foreign expansion

LOUISVILLE, Ky.—Threatened with domestic market saturation like other major fast-food chains, Kentucky Fried Chicken is embarking on an era of rapid foreign expansion while opening domestic restaurants at the modest pace of about 100 new units per year.

Of the more than 6,300 KFC restaurants now operating worldwide, about 1,300 are situated in foreign countries with the heaviest concentration in Japan and Australia. Those units are reporting volumes well in excess of the average unit sales for domestic KFC restaurants: $452,000 at company-owned units and $350,000 at franchised units.

In Australia, where KFC has 145 company-owned and 65 franchised restaurants, average unit sales were $712,000 in 1981, up 19% over the previous year. Average unit sales in Japan, where KFC has more than 350 restaurants, were $585,000.

In addition to expanding in existing overseas markets, KFC-International is "pursuing opportunities in relatively untapped markets, such as continental Europe, South America and the Pacific," according to Michael A. Miles, senior vice president-foods for Heublein Inc., KFC's parent.

KFC-International is Heublein's fastest-growing business. Between 1978 and 1981, revenues doubled to $256 million and operating profits nearly tripled to more than $28 million. In that period, the number of overseas units increased from 941 to 1,256 and, Miles said, "we have only scratched the surface of KFC's overseas potential."

Heublein has not made public its timetable for overseas expansion except in Japan, where it plans to add 30 units per year in the next several years.

Domestic expansion is concentrated in the mid-Atlantic states and the Houston area where KFC is adding restaurants through conversions of acquired properties. In a deal with Marriott Corp. earlier this year, KFC agreed to buy 80 Gino's restaurants on the Eastern Seaboard and has an option to buy others.

As part of the deal, KFC Corp. also acquired the master development rights for New Jersey, Maryland, Delaware and Washington, D.C. and parts of Pennsylvania and Virginia.

At the time of the purchase, Miles said this will be "the first really serious KFC development in that area."

KFC is also converting about half of the 80 former Church's units in Houston that it acquired from Host International. The others will be sold. In the next few years, KFC will open about 100 domestic restaurants per year.

Meanwhile, KFC is stepping up its tests of biscuits, a Southern-style menu with spicy chicken and breakfast.

Customer traffic was off in the first three months of the year, KFC's third quarter, due to severe winter weather and the high rate of unemployment in the Midwest.

Operating profits for those three months were $2.2 million, a "significant decline," according to the spokesman. Operating profits for Heublein's food service and franchising group (the corporate name for KFC Corp.) were estimated to be about $34 million on systemwide sales of $2.4 million for fiscal 1982 ended June 30. (This issue went to press before all figures were in.)

KFC Corp. also operates two other restaurant chains. H. Salt, a mostly franchised fast-seafood chain with 108 units on the West Coast, is testing a fish kabob product. No unit expansion is planned. Zantigo, a Mexican fast-food chain with 61 units, is testing several new menu items. Per-unit sales at Zantigo are about $450,000.

KFC

Fiscal Year Ended June 30

	1980	1981	1982*	Current Fiscal Year*
Systemwide Sales (Billions)	$2.0	$2.1	$2.4	$2.6
Operating Profit (Millions)	$32.6	$40.8	$34.0	
Average Store Sales	$350,000	$427,000 (company) $341,000 (franchised)	$452,000 (company) $350,000 (franchised)	$500,000 (company) $375,000 (franchised)
Number of Units	6,200	6,242	6,304	6,400

Source: *NRN* research

*Projected

KFC raised menu prices about 5% this year.

Systemwide sales and operating profits for KFC Corp. for the fourth quarter and fiscal 1982 ended June 30 were not available as this issue went to press. Operating profits in the third quarter ended March 31 were $2.2 million; operating profits for the first nine months of 1982 were $24.8 million.

NRN FOCUS

CHICKEN SEGMENT

CHURCH'S FRIED CHICKEN

Fiscal Year Ended Dec. 27

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$408.3	$466.1	$512.0	$520.0
Revenues (Where Different From Sales) (Millions)	$348.4	$391.8	$420.2	$430.0
Net Profit (Millions)	$36.2	$38.1	$44.6	
Average Company-owned Store Sales				
Church's	$410,000	$403,000	$400,000	$415,000
G. W. JR's	$348,000	$363,000	$387,000	$405,000
Average Check Per Transaction				
Church's	$2.53	$2.70	$2.78	$2.85
Number of Units				
Church's	1,091	1,225	1,315	1,310
G. W. JR's	34	35	48	60

Source: NRN research

*Projected

For the first six months ended June 13 Church's reported net profit of $18.2 million on revenues of $189 million.

POPEYES

Fiscal Year Ended Oct. 25 (Fiscal 1981)

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$90.1	$113.0	$142.2	$185.0
Revenues From Company Operations (Millions)	$34.1	$35.0	$39.1	$45.0
Net Profit (Millions)	$0.73	$0.79	$2.40	
Average Store Sales	$501,500	$530,000	$575,000	$625,000
Average Check Per Person	$3.35	$3.50	$3.70	$4.00
Number of Units	214	257	275	380

Source: NRN research

*Projected

Popeyes has raised prices at company-owned units on its chicken dinners (all sizes) by about 10 cents so far this year.

Popeyes is a privately held company and does not issue quarterly reports; the company projects systemwide sales of $185 million for fiscal 1982, ended Oct. 25.

DINNERHOUSES

To bring customers back, segment tries new concepts

By Charles Forman

The dinnerhouse segment today makes many think of the airlines: For years the carriers begged and borrowed to get planes and fought with each other and the Government to get routes. Now they can't fill the seats.

To fill many empty dinnerhouse seats across the land, some chains are either converting units to the hottest menu concepts: barbecue, barbecued ribs and Mexican (see separate Mexican dinnerhouse story, page 95). Or they are pushing into the "fun and food" specialty area pioneered on a large scale by T.G.I. Friday's.

Several once mainstream concepts seem to be floundering in a slump. Quaker Oats finally divested itself of Magic Pan recently to let Bay Bottlers Ltd. try to bring back its glory days. Meanwhile, the Victoria Station board apparently vetoed Terrance Collins' turnaround strategy there for a new concept. Collins was replaced as ceo by International Multifoods restaurant vp Richard Niglio.

In one major metro market, a Marriott Joshua Tree (beef-centered)

(Continued on page 91)

CHURCH'S

New menu items are key to chain's comeback plans

(Continued from page 73)

New stores, opened in the last year, are experiencing sales at a $582,000 a year rate, according to Harvin. Average store sales are about $400,000 a year.

The company has also come up with a new seatless unit, that can be put up either with or without a drive-through window. Church's does 85% of its business in takeout. In some markets it just doesn't need—and shouldn't have—seats.

For the first half ended July 13 net profit fell slightly to $18.2 million, from $19.6 million for the same period last year, while revenues moved down to $187 million for the period from $190 million a year earlier. Net profit margin for the half, however, was a relatively healthy 9.73% and for the second quarter alone 10.37%.

POPEYES

Spicy chicken innovator set for aggressive expansion

JEFFERSON, La.—Popeyes Famous Fried Chicken, the 10-year-old chain often credited with sparking the growing interest in spicy fried chicken, plans aggressive domestic and foreign expansion in 1983.

On tap for the coming year, too, is the introduction of a breakfast menu and a dessert product. The company will also offer a biscuit program to franchisees; in recent weeks made-from-scratch biscuits were rolled out in all 75 company-owned units.

Construction has begun on a family restaurant prototype in a New Orleans suburb. The 100-seat restaurant will have a more upscale decor than Popeyes' fast-food units but will offer basically the same menu. It will open this fall.

Domestic expansion next year will be concentrated in the mid-Atlantic and Southern States and in the Chicago area. Overseas, Popeyes plans to open units in Singapore, Malaysia, parts of the Middle East and in the Caribbean. The company already has units in the Far East, Puerto Rico, the Bahamas, Bahrain and Egypt. Negotiations are under way with prospective franchisees in Britain, Germany and Japan.

Primarily a franchised operation, Popeyes' rate of expansion was slower than expected this year because of high interest rates, according to company spokesmen. However, they said the situation has improved to the point where franchisees can start opening new units on schedule.

Popeyes, a privately held company, is opening its first regional office this year to serve the Chicago area, which now has 13 restaurants. About 17 sites have been purchased or leased there for new units.

Six or seven Popeyes restaurants are opening by the end of the year in Washington, Virginia and Maryland, including the company's first three in Baltimore. Other developments will take place in Florida, Georgia, Mississippi, Alabama, Texas and Louisiana, with development in the west "further down the line," according to William Copeland, executive vice president.

Most Popeyes' restaurants will continue to be freestanding units built from the ground up alongside highways or adjacent to suburban shopping centers, although storefront sites in urban areas will be developed, too.

The cost of building and equipping new units ranges from $220,000 for a 1,380-sq.-ft. restaurant with 18 seats to about $270,000 for a 2,145-sq.-ft. restaurant with 48 seats, according to Terrel A. Rhoton, vice president of franchise sales and technical services. Land costs are extra.

Like most chicken chains, Popeyes has a strong takeout business which, according to Rhoton, accounts for about 70% of total unit volume. Between 40% and 45% of unit sales are from drive-through windows. Average sales are expected to be in the $600,000-$625,000 range on per-person check averages of $4 by the end of the year.

Popeyes continues to operate one restaurant in an enclosed mall near New Orleans but does not plan any mall expansion.

The new biscuit program was developed and tested over a 15-month period. The made-from-scratch biscuits have replaced dinner rolls in company-owned units and are sold separately for 27¢ each. Dinner prices have been raised about 10¢ to cover the additional costs.

The biscuit rollout is the first step in the development of a biscuit-based breakfast menu which will be tested and possibly rolled out in the next 12 months, Copeland said.

The Popeyes Family Restaurant is under construction in Morgan City, La. "It's an experiment," Copeland explained.

Popeyes reported a net profit of $2.4 million systemwide sales of $142.2 million in fiscal 1981. Sales were up 3% after factoring out menu price increases, Rhoton said. Projected sales for the current fiscal year are $185 million.

Customer traffic has been up so far this year, Copeland and Rhoton said, except in parts of the upper Midwest. The executives believe Popeyes has benefited from the recession because many customers have traded down to less expensive fast-feeders. The number of working women has also helped Popeyes dinner sales, Rhoton said.

NRN FOCUS

DINNERHOUSES

RED LOBSTER INNS

Fiscal Year Ended May 31

	1980	1981	1982	Current Fiscal Year*
Systemwide Sales (Millions)	$400	$505	$625	$750
Average Store Sales (Millions)	$1.6	$1.9	$2.0	$2.1
Number of Units	260	291	330	365

Source: NRN research

*Projected

RED LOBSTER INNS

Wine lists lynchpin to expansion

ORLANDO, Fla.—Red Lobster Inns, the flagship of the General Mills restaurant group, will be experimenting with wine lists and a new fish product this year as they build 35 to 40 new units.

Red Lobster, which finished fiscal 1982 in May with $625 million in sales and 330 restaurants, has earmarked its main expansion drive for California where it has only five restaurants now.

Northern and central California will bear the brunt of the development, though Red Lobster officials do not say how many units will be built where.

The chain has five units in the state now—two in Los Angeles and one each in Modesto, Sacramento and Bakersfield.

A lynchpin to the California plan will apparently be the introduction of wine lists. Executives apparently believe that the wine lists, tested elsewhere, will be a big hit in wine-conscious California.

Red Lobster is also testing a new fish called a Golden Pacific Roughie. The fish, caught in the south Atlantic off the coast of Australia, reportedly has a finer texture than haddock or cod.

It is being tested in 27 restaurants scattered across the country where it is offered three ways—broiled and served with spinach, broiled and topped with parmesan cheese and broiled in butter.

Red Lobster figures to hold steady to its growth path with 365 restaurants and sales of $750 million due by this time next year.

CHART HOUSE INC.

Attention focused on Cisco's, Luther's

LAFAYETTE, La.—With the naming of an executive vice president for its Luther's division and the establishment of a new headquarters for its Cisco's dinnerhouses, Chart House Inc. plans to expand its two newest concepts in 1982.

The diversified restaurant company hopes these two operations will contribute to a healthy increase in profits. The company earned $17.7 million in 1981 on sales of $353.9 million. Chart House profits have increased by about 20% each year since 1978.

Cisco's Cafe, a Mexican dinnerhouse concept originally devised to supplant the company's faltering Cork 'N Cleaver restaurants, came into its own during 1981, when several of the steakhouses were converted into Cisco's units. Meanwhile, the company erected its first freestanding Cisco's—a prototype for future development.

Luther's, a fast-food style barbecue concept the company recently acquired, appears to be poised on the brink of major expansion through franchising. Michael Blackmon, its newly named executive vice president and chief operating officer, is reportedly closing deals for development rights in several large Sunbelt markets.

Growth of the embryonic 10-unit chain hinged on the development of kitchen equipment which could produce large amounts of barbecue with the ease necessary for a franchised operation. The Houston-based Luther's operation was brought under the Chart House umbrella to build the chain into a frachisor as well as a dinnerhouse operator and the largest Burger King franchisee.

Chart House's 378 Burger King

(Continued)

CHART HOUSE

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$274.0	$312.5	$353.9	$405.0
Net Profit (Millions)	$12.4	$15.0	$17.7	$19.8
Average Store Sales				
Luther's**			$1.2 Million	
Cisco's Cafe**			$1.3 Million	
Burger King+	$637,000	$704,000	$745,000	
Cork 'N Cleaver	$783,000	$792,000	$885,000	
Chart House	$1.6 Million	$1.2 Million	$1.3 Million	
Average Check Per Person				
Luther's**			$4	
Cisco's Cafe**			$10	
Burger King	$2.72	$2.89	$2.99	
Cork 'N Cleaver	$12.81	$14.71	$14.03	
Chart House	$14.71	$16.08	$17.40	
Number of Units				
Luther's**			10	
Cisco's Cafe**			12	
Burger King	351	365	370	
Cork 'N Cleaver	61	67	57	
Chart House	40	43	48	
Total Units	458	477	498	515

Source: NRN research

*Projected

+Company-owned only

**Newly developed restaurant concepts. No figures available prior to 1981.

New concepts are designed to bring the customers back

(Continued from page 74)

metamorphised within just months into a J. T.'s (adult fun) and then a Casa Maria (Mexican).

Only a few hundred yards away, a Campbell's Hanover Trail (a limp performing, somewhat upscale budget steakhouse) became a J. T. McDoogal's (fun and food) at exactly the same time.

Perhaps most exciting is El Torito's expansion of its Tequila Willie's concept. The Grace subsidiary idea is to combine the best of the Mexican dinnerhouse concept with the best of the adult fun idea.

Meanwhile, the seafood segment continues to perform strongly.

Gilbert-Robinson has said it will be expanding its Bristol Bar & Grill into St. Louis, Atlanta and other cities.

General Mills Red Lobster will push hard ahead into West Coast markets where it only has a minimal presence now, taking on strong native competition, especially from Hungry Tiger.

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NRN FOCUS

DINNERHOUSES

W. R. GRACE RESTAURANTS

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Sales (Millions)				
Coffee Shops	$139.0	$179.0	$183.0	
Dinnerhouses	$226.0	$298.0	$363.0	
Fast Food	$22.0	$48.0	$52.0	
Total Sales	$387.0	$525.0	$598.0	$620.0
Number of Units				
Coffee Shops	190	219	229	229
Dinnerhouses	179	224	246	255
Fast Food	151	173	147	147

Source: NRN research

*Projected

Menu prices dropped slightly during the first six months of fiscal 1982 at Grace's coffee shops.

W. R. Grace restaurant subsidiaries reported operating income of $1 million on sales of $154.6 million in the first quarter, ended March 31.

W. R. Grace has three restaurant divisions. Far West Services operates Coco's and Jojo's coffee shops and about 100 dinnerhouses with various names and themes, including Baxter's, Baxter Street, Moonraker, Plankhouse, and Reuben's. Three dinnerhouses have been converted to Tony Roma's rib restaurants in a joint venture. Gilbert/Robinson operates 68 casual restaurants, most of which are Houlihan's Old Place. Other Gilbert/Robinson restaurants are Annie's Sante Fe, Bristol Bar & Grill, Fred P. Ott's, Sam Wilson's, and several one-of-a-kind restaurants. El Torito-La Fiesta operates a number of Mexican dinnerhouses, including El Torito, Who-Song and Larry's, Rosa Corona, and Tequila Willie's. Grace's fast-food units are Del Taco Mexican restaurants.

FAR WEST SERVICES

New menu items for Jojo's; two joint ventures planned

IRVINE, Calif.—Far West Services is preparing to roll out new salad entrees, desserts and a breakfast special at its Jojo's coffee shops. The items are in test at 16 Jojo's in various markets.

One of W. R. Grace's three restaurant divisions, Far West Services operates 111 Coco's coffee shops, 118 Jojo's and about 100 dinnerhouses with various names and themes. The company is also involved in a joint venture with Tony Roma's at three rib restaurants.

The company has signed a joint venture agreement with Po Folks, a small seafood and chicken chain, to convert about three coffee shops in what a spokesman calls "isolated areas" to the Po Folks theme.

Far West's dinnerhouses include Reuben's , the Plankhouse, Baxter Street, Reuben E. Lee, Baxter's, Sandpiper, Summerhouse and other concepts. Far West also operates two musical dinner theaters called Baxter Street and Tibbie's Music Hall. A third musical dinner theater was opened in July at the Reuben E. Lee riverboat restaurant in Newport Beach, Calif.

Three Far West dinnerhouses in Atlanta and Dallas have been converted to Tony Roma's barbecue restaurants.

W. R. Grace, the New York-based conglomerate, owns 246 dinnerhouses (including those operated by Gilbert/Robinson, Far West and El Torito), 229 coffee shops and 147 fast-food Mexican restaurants (Del Taco). Most of Grace's restaurants are situated in California, Texas, Georgia and Missouri.

In the first quarter ended March 31, Grace's restaurant subsidiaries reported an operating income of $1 million on sales of $154.6 million, compared to $100,000 operating income on $140.9 million on sales in the first quarter of 1981.

Expansion of Del Taco, which has incurred heavy operating losses since 1979, its first full year of operation after its acquisition by Grace, has been halted.

CHART HOUSE INC.

Emphasis shifts for better balance

(Continued from page 91)

units in the Midwest, including the 101 units the company subfranchises, have recently completed a comprehensive physical upgrading program. The "grand slam" effort was aimed toward improving sales in Chart House's first large market by rehabilitating older stores.

But the company's Burger Kings may need more than a facelift. Reeling in the aftermath of a harsh winter and still grappling with a recessionary economy, the division reportedly posted average unit sales about 5% lower than the chainwide average of about $760,000 in 1981.

One strategy to maintain market position for the Burger Kings involves price. Although management may increase prices in its system by about 2% by the end of the year, it has not hiked prices for the last 18 months.

But Chart House seems to want to shift its resources into other segments such as the Mexican dinnerhouses, Luther's and its steakhouse division.

William Hyde, the new president and chief executive officer of Chart House, is expected to soon unveil a far-reaching plan expressing the company's desire to balance its operations evenly between all four divisions.

GILBERT/ROBINSON

Bristol Bar performs well

KANSAS CITY, Mo.—Those industry experts who believe that a major restaurant trend of the 1980's will be cooking most dishes in the dining room in full view of customers are watching the performance of Bristol Bar & Grill, Gilbert/Robinson's newest dinnerhouse concept.

Specializing in fresh seafood, the Bristol restaurant in Kansas City cooks everything out front, where diners can watch their fresh oysters, fish fillets and other items being prepared.

The Bristol prototype has performed well enough to convince company executives to expand the concept to other cities. A Bristol will open in St. Louis by the end of the year and a unit under construction in Atlanta will be ready by early 1983.

Gilbert/Robinson, part of W. R. Grace Co., the New York-based conglomerate, is best known for Houlihan's Old Place, the casual restaurant chain which has been copied far and wide by other companies such as Steak and Ale (with its Bennigan's chain), Carlson Companies (TGI Friday's) and Campbell (H. T. McDoogal's), plus a host of smaller chain and independent operators.

Never a company to overexpand, Gilbert/Robinson has developed Houlihan's slowly and carefully. At the end of 1981, there were 43 Houlihan's:

Houlihan's, which helped define the casual theme restaurant trend of the 1970's, are known for their eclectic design (units are filled with all sorts of antiques and memorabilia from other eras), a menu which emphasizes finger foods and specialty drinks and a fun ambience.

Gilbert/Robinson was acquired by W. R. Grace in 1978. In addition to Bristol Bar & Grill and Houlihan's, the company operates eight Annie's Santa Fe Mexican restaurants; six Sam Wilson's beef dinnerhouses; two Fred P. Ott's and several one-of-a-kind specialty restaurants, including Plaza III, Cap't. Jeremiah Tuttle's and the Buena Vista Cafe.

There will be 68 Gilbert/Robinson restaurants in 22 states and 32 different markets at the end of the year. Total sales in 1981 were estimated to be about $112 million.

VICTORIA STATION

New ceo faces tough job to maintain recovery pace

By Richard Martin

LARKSPUR, Calif.—Richard A. Niglio, Victoria Station's new president and ceo, is faced with some tough decisions as he takes up the reigns of his new company this month. First among them may be a decision on whether or not to adopt elements of predecessor Terrance Collins' concept-research studies in order to further VS's recovery momentum.

Victoria Station, which recently wrote its annual bottom-line figure in black ink for the first time in three years, was thought to be on the verge of launching a completely revised restaurant concept in a San Diego test when Collins abruptly resigned effective Aug. 1. The future of such plans is now in doubt.

Collins' final letter to stockholders outlines short- and long-term strategies for boosting deteriorating customer counts. The plans, including addition of a Cordon Bleu-trained executive chef and a 50% reduction in the number of tables assigned to waiters, were contained in a new age-flavored 1982 annual report, issued last month, which bears what looks like the prototype for a new, upbeat company logo on its cover.

Niglio has said it is still too early to determine a course of action until

(Continued on page 118)

VICTORIA STATION

Fiscal Year Ended March 28

	1980	1981	1982
Systemwide Sales (Millions)	$128.2	$134.9	$123.9
Net Profit (Millions)	–$1.3	–$6.2	$1.2
Average Store Sales (Millions)	$1.3	$1.4	$1.3
Average Check Per Person		$14.00	$14.50
Number of Units	93	99	98

Source: NRN research

NRN FOCUS

MEXICAN SEGMENT

Optimism abounds among dinnerhouses

By Donald Frazier

In a year of recession, retrenchment and the reconsideration of yesterday's hopeful plans, one segment of the industry is acting like it's still the go-go 1960's instead of the go-slow 1980's.

The companies in the hot new segment—the Mexican-style dinnerhouses—are generally still too small to make the Top 100 list. But they are growing by leaps and bounds, seemingly unfettered by the financing problems and the price-cost squeeze that afflict the rest of the industry.

And some of the largest concerns in food service—Chart House, Ponderosa and the W. R. Grace companies among them—have seized on the Mexican-style concept as a growth vehicle high-powered enough to diversify their customer bases and thus insulate their operations from the harsh economy of the Reagan era.

Mexican-style dinnerhouses are now a significant part of the chain restaurant scene in several Midwestern cities. Skirmishes are shaping up between several of the major companies in test markets such as Columbus, Ohio, Kansas City and Omaha. Companies are moving their forces into position for an assault on the big plum: Chicago. And they are even sending scouts to that dreaded netherworld of the chain restaurant business: the Northeastern seaboard.

A few of the companies taking part in the new Mexican revolution are independent. Chi-Chi's, a 55-unit half-franchised chain based in Louisville, is privately held. An 11-unit chain based in Phoenix, Garcia's of Scottsdale, recently went public.

But many of the concepts in the segment are parts of large conglomerates. Two divisions of the W. R. Grace Corp. have entered the market. One, El Torito-La Fiesta, operates 55 El Torito units among its 83 variously named concepts based in Costa Mesa, Calif. The other, the Kansas City-based Gilbert/Robinson chain of casual-theme dinnerhouses, runs eight Annie's Santa Fe restaurants. Another large corporation, General Mills, includes 12 Casa Gallardo dinnerhouses in its portfolio of restaurants.

Some of the most promising concepts in the market are recent additions to large companies in other segments. Chart House, for example, developed Cisco's Cafe to supplant some of its low-volume high-priced steakhouses. Now, Cisco's has about 20 units, a new freestanding design and its own headquarters in Jefferson, La.

Another small-but-promising concept, three-unit Casa Lupita, was acquired from its Seattle owners during the year by the leader of the budget steakhouse segment, Ponderosa, as an upscale substitute for its weaker units. The Dayton, Ohio-based company is now converting three of its steakhouses into Casa Lupitas; management foresees the conversion of about 50 of its 230-plus steakhouses by the end of 1983 and the development of a freestanding model by the end of this year.

Why all of this frenzied development for a culinary style alien to most of the areas of the country—like the Midwest? Especially in an era of high interest rates, when any new restaurant must consistently show strong profits from the first day it opens?

The answer involves several factors ranging from the quantitative—food costs, table-turn, check average, and so on—to the marketing appeal of a concept considered intriguingly exotic across the heartland.

Food costs at a Mexican dinnerhouse typically run from 28% to 33%—a good 10 points below that of traditional-menu dinnerhouses. This figure owes to the nature of the Mexican menu; it requires lower-priced items such as rice, tortillas, beans, cheese, produce and poultry, and reduces waste to virtually nothing.

This food cost figure allows the operators of Mexican dinnerhouses to give their customers a heaping plate of food for a price—usually an average check per person of $8-$10—far less than he would pay for restaurants of comparable ambience and service. This is especially important in the Midwest, where popular perception holds that the "Good Meal is the Big Meal."

Another number—the minutes the average customer takes to sit, order, eat and leave—attracts operators to the new concept. The ease of preparing the Mexican-style menu, the amount of its items which can be preprepped and its short cooking times reduces this number to around 45 minutes for most operations in the fast-growing segment.

A high percentage of liquor sales is inevitably part of the Mexican-style concept. For marketing reasons probably related to the festive atmosphere fostered by most of the concepts, customers often order high-markup items such as margaritas and imported beers at the restaurants of this segment.

But the operators in the segment have hitched all of these considerations to the cautious marketing of a previously alien product.

Most of them, heeding Midwestern dislike of spicy food, bend over backward to convince their customers that the food is not actually spicy.

This tendency has produced during the last year a great uniformity among the Mexican dinnerhouse chains. Asked how their concepts differ from those of their competitors, most operators claim that *their* operation is "better" than the others. Many even use the same basic floor plan and Mexican-style artifacts on the walls.

Some observers expect the sameness of Mexican dinnerhouse concepts and their concentration in certain, limited markets to produce a high fatigue factor among customers during the next year. Last year's aggressive development of new sites, they feel, could become next year's shakeout.

TACO BELL

PepsiCo subsidiary leads Mexican fast-food chains

IRVINE, Calif.—Taco Bell, the leading Mexican fast-food chain in sales and number of units, is testing nachos, a taco salad and a large taco called a Taco BellGrande and is adding drive-thru windows in many of its older units. Most new Taco Bell restaurants will have drive-thrus.

The chain, part of PepsiCo Food Service, which also operates Pizza Hut, started the year with 820 company-owned and 580 franchised restaurants. About 125 new units are being added to the system this year.

New menu boards, listing several recent additions such as nachos, will be installed in most Taco Bells by the end of the year as part of a system-wide unit upgrading program.

PepsiCo officials also said advertising expenditures will be increased this year, including costs for special promotions following the success of a $4 million Mucho Mucho giveaway game in 1981.

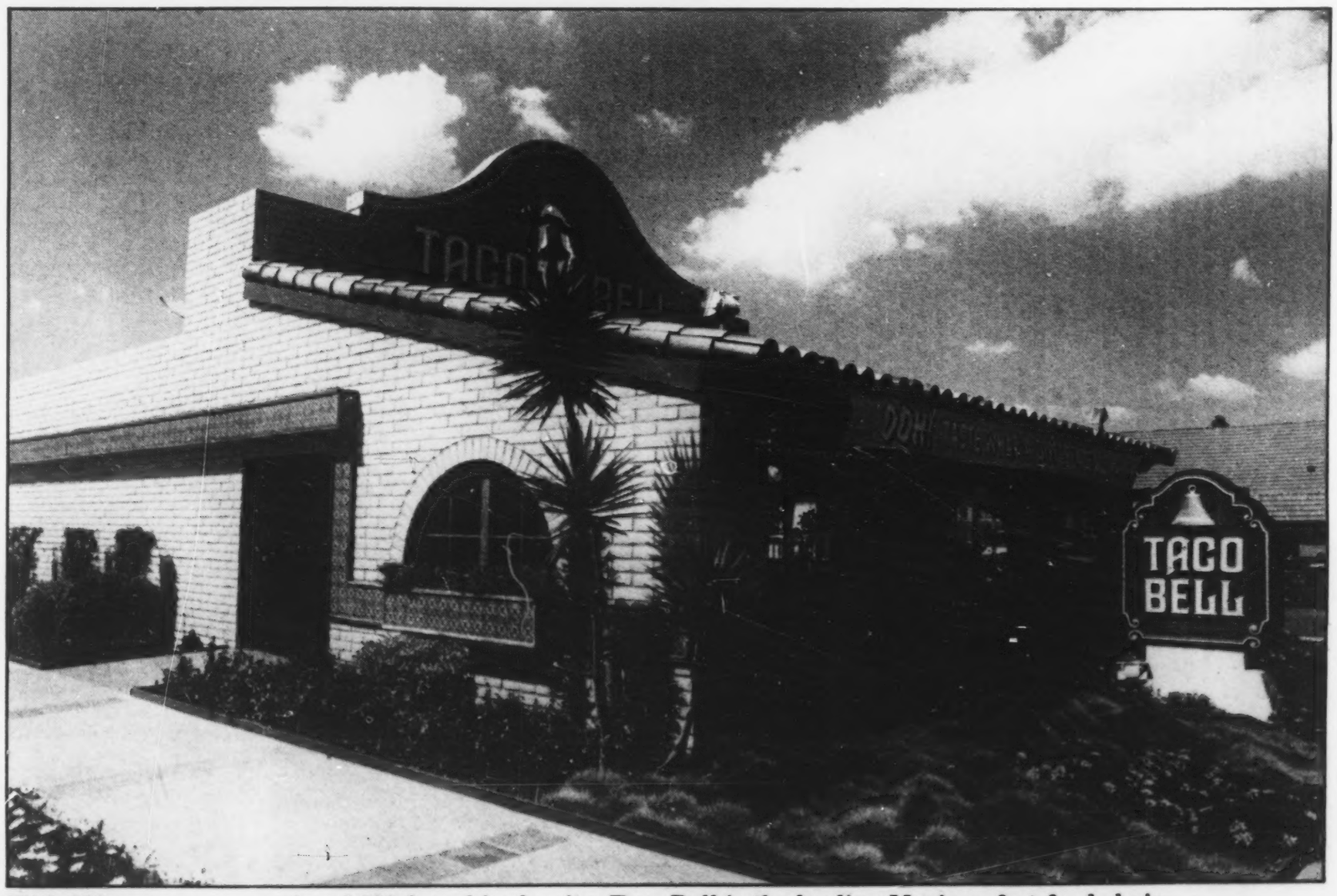
Average unit sales at Taco Bell are in the $400,000 per year range.

PepsiCo Food Service, which operates about 5,800 Pizza Hut and Taco Bell restaurants in the United States and several foreign countries, primarily Australia and Canada, reported an 11% increase in operating profits to $82 million on a 15% rise in revenues to $1 billion in 1981.

Real per-store volume at both chains jumped 7% in 1981, according to a company report.

Unit expansion at Taco Bell this year will include the conversion of 46 Taco Charley restaurants in northern California, Arizona and Nevada to Taco Bell units. PepsiCo earlier this year agreed to acquire the sites.

Calny Food Services, a major Taco Bell franchisee with 46 units, has agreed to purchase the equipment and franchised rights for at least 11 of the acquired sites for $2.1 million. PepsiCo will operate the others.



With 820 company-owned and 580 franchised units, Taco Bell is the leading Mexican fast-food chain.

NRN FOCUS

PIZZA SEGMENT

Several newcomers propel segment into computer age

By Charles Forman

Traditional pizza segment leaders are sharpening operations, adding sandwiches and small pies to draw lunchers, promoting the popular deep-dish pies and pointing proudly to annual unit volumes creeping along at about a third of a million dollars a year. They are also being pushed aside by a fad born of the computer age.

Actually redefining the segment are a host of newcomers led by Pizza Time Theater, Sunnyvale, Calif. Pizza Time hopes to have about 200 units in operation at the end of the year, each averaging almost $1.3 million in annual sales.

Close on the heels of this phenom is Brock Hotels Show Biz Pizza, based in Topeka, Kan. Show Biz has 82 units open now, and expects 115-120 by year-end. Show Biz units average about $1 million in sales annually.

The drawing card of these building segment leaders are shows performed by animated robot characters and video games. Menus of pizza, sandwiches and drinks come third in importance as customer attractions.

Although the animated character concepts still draw the preponderance of dollar sales (about three-quarters) from food, more profit is coming from the video games than from pizza.

Also coming on strong in this segment are the small-unit, often no-seating, home delivery and takeout chains like Detroit-area Domino's and Toronto's Pizza.

Still, the apparent progress toward health by Pizza Hut under the presidency of Arthur Gunther, should have much impact on the segment during the coming 12 months.

Pizza Hut is standardizing menus, working closely with franchisees on advertising, inaugurating a nationwide training program and enjoying rising customer counts and store sales. Average annual unit sales now reportedly top $300,000, an important benchmark for the 4,000 unit chain.

PIZZA HUT

Management team building solid foundation for growth

Pizza Hut officials feel that standardizing company operations is the key to maintaining growth.

WICHITA, Kan.—Pizza Hut officials say the chain is testing at least 10 sandwiches besides a smaller pan pizza, in hopes of building lunchtime sales.

But, probably more important to keeping the 4,000-unit segment giant on a growth track, are less glamorous moves to strengthen operations and marketing and build a basically standard menu that both company-owned and franchised stores can adhere to.

For one thing, the company hopes to open 10 regional management training centers by the end of this year and a total of 13 eventually—corresponding with the company's 13 regional offices. Company store managers will spend two weeks in their stores and then nine days in a training center before going back to their jobs. Other new management people will have to undergo training at one of the new centers within their first six months with Pizza Hut.

The company has also created 10 regional field supervisor posts to keep a tighter rein on operations and ensure the consistency that the system needs to continue to build unit sales.

Pizza Huts average annual unit sales now top $300,000 and customer counts have risen better than 8% over the last 12 months.

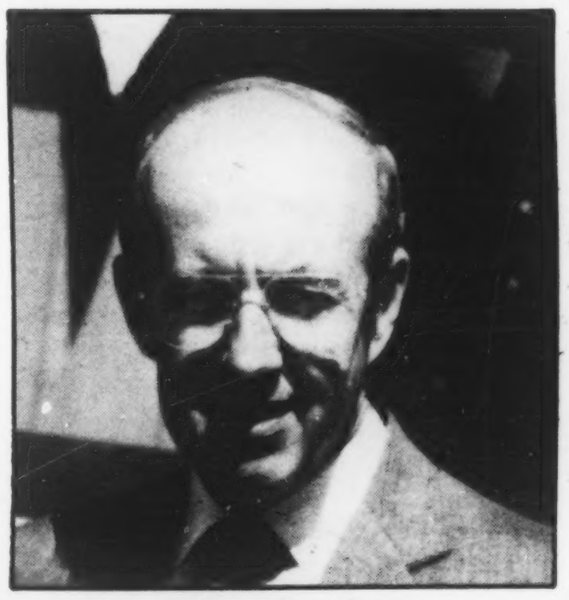
The company is also planning a regional approach to merchandising certain menu items: Cold tomatoes will be used as toppings in Seattle and Crayfish in New Orleans. In certain markets a taco pizza is getting a tryout.

Company officials also say they plan expansion on both the East and West Coasts, areas where they have had less of a presence than in the Midwest. Although expansion has been stalled for the past two years, the company says it plans 150 new restaurants a year for each of the next five years.

Unit remodeling and upgrading is also on tap. Parent PepsiCo has committed $100 million to the program.

A possible key to the future for the chain are new conveyorized ovens that can cook pizza in eight minutes instead of 15. These could not only help build overall volume, but could do even more than new products to add to lunch business.

New executives added to the top command by president Arthur Gunther include Frank Reynolds as chief financial officer. He held the same post at Burger King International. Another Gunther addition is Doug Willsie as restaurant development vice president.



Arthur Gunther
Pizza Hut president

GODFATHER'S PIZZA

Expansion goals on target as company goes public

OMAHA—Godfather's Pizza, one of the fastest-growing food-service chains, hopes to open 15 new company-owned stores and 250 franchised stores by the end of the year.

At presstime company expansion plans were on target with about 775 restaurants in operation. Godfather's had 636 franchised and company-owned restaurants at the end of last year.

Godfather's went public this year when company officers offered and sold 1,485,000 shares of common stock. The stock was offered to raise money for company officers, pay taxes and capitalize company stores.

Godfather's is concentrating on expanding into new markets, such as New England and Oregon, and on increasing lunch sales.

Besides its various-sized pizzas, the restaurants offer sandwiches, salads, beer and soft drinks. The highest-priced menu item is the large combo pizza with seven toppings, serving four to six people, and selling for $9.95 at most locations. No slices are sold. Take-out sales amount to about 25% to 40% of total restaurant sales.

Godfather's was founded in 1973 by William M. Thiesen, now company president.

First quarter results show system-wide sales up nearly 40% to $67.3 million, company revenues up 32%, and net income up 46%.

The Godfather's Pizza chain went public this year; nearly 1.5 million shares of common stock were sold.

NRN FOCUS

PIZZA SEGMENT

PIZZA INN INC.

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$189.9	$201.5	$223.3	$240
Revenues (Where Different From Sales) (Millions)	$113.6	$125.1	$138.8	$150
Net Profit (Millions)	$1.399	$1.702	$1.719	
Average Store Sales	$260,700	$275,400	$322,100	$345,000
Number of Units	747	747	731	775

Source: NRN research

*Projected

Pizza Inn Inc. reported net income of $442,000 on revenue of $34.2 million for the first quarter of fiscal 1982 ended March 28.

The company increased menu prices an average 9.2% during 1981.

PIZZA INN INC.

Lag in sandwich rollouts slows push for lunch sales

DALLAS—Pizza Inn has its hot and cold sandwiches in about half its markets now and hopes to have the products account for about 10% of total sales by the end of next year.

A strategic reason for the emphasis on sandwiches was to build lunchtime sales. But in actuality, the rollout may be falling behind expectations.

Earlier statements by company spokesmen had indicated the rollout would be completed months ago. In addition, early tracking of sandwich sales in test stores shows them garnering just 4% of store sales, according to Michael Feldmann, director of marketing services.

This percentage has, however, been steadily rising.

The chain has also been experimenting with a deep-dish pan pizza, primarily in the Dallas-Houston-Atlanta market. Feldmann says it's still early to judge the results.

To increase customer awareness of its new products, Pizza Inn is "reallocating dollars to more electronic media [radio and television] and less to print," says the marketing director. Most of the restaurants are concentrated in the Sunbelt. Ads will be spots on local TV and radio stations.

Feldmann says the company "recently started an aggressive campaign to add franchises." Pizza Inn has 735 units, 400 of which are franchised. However, growth in number of units has stalled in recent years. In 1979 there were 747 units; in 1980, 740 units, and at the end of last year, after the company sold some unprofitable stores, there were 735 units.

The major thrust for new stores will continue to be the Sunbelt, says Feldmann. He adds that there will be some expansion in the overseas markets.

After a drop in profits last year (net income was down to $1,399,000 from $1,702,000 in 1980), there are hopeful signs this fiscal year. Net income for the first quarter, ended March 28, was up 47.8% to $442,000 from $299,000 the previous year. The company said it had a 14% increase in restaurant volume during the quarter.

F.J. Spellman
Pizza Inn ceo

PIZZA TIME THEATER INC.

Chuck E. Cheese is the star of Pizza Time Theater's corral of entertaining robot characters.

Four-year-old chain pioneers video games in restaurants

SUNNYVALE, Calif.—Pizza Time Theater Inc. is redefining the pizza segment as it races this year for 200 units, more than twice the number the company had at the end of 1981.

The fledgling four-year-old company, founded by Nolan Bushnell, also the founder of video game pioneer Atari, is building units at the rate of almost two per week.

The concept pulls 75% of its sales from pizza, a few sandwiches and drinks. But most of its profits, and 25% of its sales, come from video games.

In addition, robot characters, featuring top-billed Chuck E. Cheese, perform two-to-three-minute skits every eight minutes as entertainment.

The formula pulls in about $1.2 million per unit per year on a family-check average of $14.

A lawsuit involving one-time franchisee Show Biz Pizza of Topeka, Kan., may add up to $50 million to Pizza Time's coffers as a raft of imitators jump on the pizza-and-games bandwagon.

Recent developments at Pizza Time include the sale of franchise rights for Hong Kong, Westchester County (a New York City suburb) and the state of Washington. Officials are known to be negotiating aggressively for European rights.

At the end of fiscal 1981, Dec. 27, when the chain numbered 88 units, the company said it had signed franchise deals for 79 new franchised units this year, and 50 more in 1983.

For the first quarter, a 12-week period ended March 21, the company reported profits of $1.7 million, a phenomenal 1,226% increase. Revenues gained 221% to $17.2 million.

At the end of June, the chain numbered 130 units, 71 of them company-owned.

PIZZA TIME THEATER

Fiscal Year Ended Dec. 27

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$4.0	$15.0	$55.0	$145.0
Revenues (Where Different From Sales) (Millions)	$3.1	$11.4	$36.2	
Net Profit (Millions)	–$1.3	$0.2	$2.6	
Average Store Sales (Millions)	$0.9	$1.0	$1.2	$1.3
Number of Units	7	25	88	207

Source: NRN research

*Projected

DOMINO'S PIZZA

Rapid chain growth results in menu price reductions

ANN ARBOR, Mich.—Domino's Pizza reports that rapid growth last year helped reduce menu prices 7.5% below 1981 levels.

Spokesman Robert Salogar says Domino's has been able to negotiate higher-volume contracts with suppliers, resulting in savings that have been passed on to consumers in price decreases ranging from 5% to 10%.

The company operated 687 units at presstime, compared to 582 at the end of last year. Salogar says the company's goal is to "have a store in every town of 10,000 or more by 1984."

Looking Abroad

Another push is into international markets, he says. Domino's has a list of about 20 possible foreign countries for expansion, such as Brazil, South Africa and Britain, and has begun training people to handle the franchises.

Domino's basic products are 12-in. and 16-in. pizzas with various toppings. Service is 100% takeout; therefore, a product like deep-dish pizza would "disrupt our service concept," according to Salogar, because it would take too long to cook properly. Domino's says it serves customers in 30 minutes from the time the phone order is completed to time of delivery.

Salogar says Domino's is projecting a 55% to 60% increase in systemwide sales this year over last year's total of $179 million.

Last year Domino's stopped selling franchises to people outside the company. At present, Salogar says, 92% of franchised stores are owned by former Domino's employees. "We groom our own franchisees," he says. "It's like a farm system."

The overseas markets will be an exception.

NRN FOCUS

CAFETERIA SEGMENT

All eyes on Furr's attempt to build 25 new cafeterias

By Rurick Telberg

The leading cafeteria companies this year will be watching intently as Furr's attempts to bring 25 new units on line.

Furr's ambitious plans have met with skepticism. Competitors say parent K mart may be able to build the units, but say they doubt Furr's can staff them with qualified managers which take an average of five years to train.

Yet, if Furr's succeeds, it could change the relatively easygoing ways of its competitors who would be forced to catch up.

Three of Furr's peers—Luby's, Piccadilly and Wyatt—are investing in real estate which provides them a convenient place to stash cash from their high-margin businesses and sets the stage for orderly growth.

Luby's in particular will have the wherewithal from a recent stock offering to take advantage of any of Furr's missteps or to challenge Furr's in unit-growth next year.

Morrison Inc., on the other hand, is funneling its cafeteria earnings into diversifying acquisitions. The 17-unit casual themer Ruby Tuesday chain and two franchised Western Steer budget steakhouses were recently added to Morrison's stable of food-service businesses.

In addition, Morrison will apparently continue to broaden its food-service management business.

Morrison remains the leader in the cafeteria segment in terms of number of units, but it is still working on tightening cafeteria operations.

MORRISON INC.

Emphasis on diversification, tightening unit management

MOBILE, Ala.—After a couple of rocky years while slimming down, Morrison Inc. has come out swinging with forays into the casual-theme and budget steakhouse markets.

In addition, tighter management is boosting profit margins in its bread-and-butter lines of cafeterias, contract feeding and suppliers.

If Morrison's unconsolidated insurance subsidiary fails to perk up, some industry observers expect it to go the way of Admiral Benbow Inns: Sold. And the cash could be used for more buy-outs.

"We will probably wind up with four to five different concepts over the next five-year period," E. Eugene Bishop, president and chief executive, said.

Morrison plans to build 10 to 12 new cafeterias this year, while buffets take a back seat during a painful re-evaluation. At the end of the third quarter, Feb. 27, 1982, the firm had 143 cafeterias and 10 buffets.

Over the next five years, Morrison plans to add 28 Ruby Tuesdays to the 16 it bought in April. The Knoxville-based chain complements, with younger and more affluent demographics, Morrison's traditional older cafeteria customers.

Also in April, Morrison became the franchisee of two Western Steer steakhouses in Alabama.

Morrison continues to slim down. During the first nine months of fiscal 1982, two cafeterias and a family buffet were shuttered.

Profits for the three quarters ended Feb. 27, 1982, gained 15% to $10.8 million on a 12% revenue gain to $264.6 million.

'We will probably wind up with four to five different concepts over the next five years.'

—E. Eugene Bishop, president, ceo, Morrison Inc.

FURR'S CAFETERIAS

K mart subsidiary tackles ambitious expansion plan

LUBBOCK, Tex.—This could be a make-or-break year for Furr's Cafeterias as the K mart subsidiary pushes to build 25 new units in one of the most ambitious expansion projects ever witnessed in the cafeteria segment.

Furr's competitors have been openly skeptical that the 25 new units can be integrated into the system. They note it takes them at least five years to train cafeteria managers.

Staff Realigned

But as Furr's began the expansion surge, the staff was realigned to grant more authority to those in the field.

Four regional vice presidents were promoted from the ranks of 11 district managers. A 12th district was added. And the district managers, instead of having to go through Harold Andrews, president and chief operating officer in Lubbock, for decisions, could go to their new regional vice president.

K mart acquired Furr's for $66.1 million in April 1980 when the chain numbered about 75 units and scored annual sales of $99 million. But gearing up for this year's expansion apparently took longer than K mart planned.

The first year was spent lining up sites, a first step other cafeteria chains are only now beginning.

Projection

K mart had projected 14 to 16 new units to be built last year but when the tally was in, only eight had actually opened.

Then Don Fritz, a former K mart food operations director, was named senior executive officer and vice chairman. Both were new positions which made him the second-in-command reporting to Don Furr, chairman and chief executive.

Now it appears the management changes and site inventorying are paying off with a spurt of growth. But whether Furr's can pull it off is the subject of much skepticism and not a little trepidation among its competitors.

MORRISON INC.

Fiscal Year Ended May 29

	1980	1981	1982	Current Fiscal Year*
Revenues (Millions)	$278.2	$320.7	$352.0	$380.0
Net Profit (Millions)	$14.0	$12.9	$15.0	
Cafeterias				
Systemwide Sales (Millions)	$194.5	$223.5	$235.0	$245.0
Operating Profit (Millions)	$19.8	$20.4	$21.6	
Average Unit Sales (Millions)	$1.4	$1.5	$1.6	$1.6
Average Check Per Person	$3.11	$3.38	$3.64	$3.75
Institutional Feeding + Revenues (Millions)	$63.5	$72.3	$90.4	$100.0
Operating Profit (Millions)	$3.3	$4.8	$6	
Number of Units				
Cafeterias	137	141	147	158
Buffets	10	11	10	10
Ruby Tuesday			17	22
Western Steer			2	2
Food Service Management Accounts	262	267	301	
Admiral Benbow Motels	15	14		

Source: NRN research

*Projected

+ Includes food, supply and equipment sales to institutional feeding accounts

For the nine months ended Feb. 27, 1982, Morrison reported net profit of $10.8 million on revenues of $264.6 million.

Menu prices were increased about 8.5% during fiscal 1982.

FURR'S CAFETERIAS

Fiscal Year Ended Jan. 28

	1980	1981	1982	Current Fiscal Year*
Systemwide Sales (Millions)	$98.9	$111.6	$120.4	$144.5
Average Store Sales (Millions)	$1.2	$1.3	$1.4	$1.5
Number of Units†	79	79	86	111

Source: NRN research

*Projected

†Includes two pie shops.

NRN FOCUS

CAFETERIA SEGMENT

PICCADILLY CAFETERIAS

Fiscal Year Ended June 30

	1980	1981	1982	Current Fiscal Year*
Systemwide Sales (Millions)	$115.4	$127.2	$142.3	
Net Profit (Millions)	$6.4	$7.8	$8.4	
Average Store Sales	$1.5	$1.7	$1.8	
Average Check Per Person	$2.98	$3.27	$3.35	
Number of Units	78	79	81	85-89

Source: NRN research

*Projected

In the nine months ended March 31, Piccadilly reported net profit of $7 million on sales of $105.6 million.

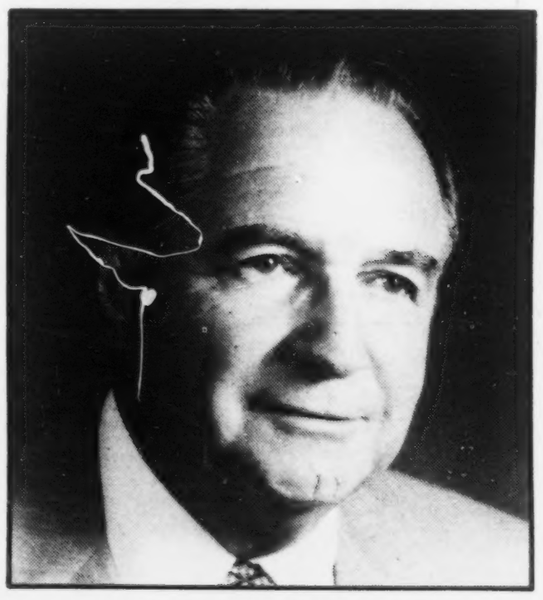
The company raised prices 7.3% in fiscal 1982, according to their projection.

LUBY'S CAFETERIAS

Expects 20% profit gains over the next two years

SAN ANTONIO—Luby's Cafeterias executives have scheduled six new units for fiscal 1983, adding to the 64 they expect to have at the close of fiscal 1982 at the end of this month.

The new units are being financed internally, but that could change in fiscal 1984 when the company expects to use the $13.4 million netted in a recent stock sale to continue its annual 10% unit growth rate.



George H. Wenglein
Luby's chairman, ceo

It currently costs Luby's $2 million to $2.4 million to build a new cafeteria, with $300,000 to $500,000 of that for land.

The units ring up some of the highest annual volume and per-tray check averages in the segment—$2.3 million in annual volume and about $3.70 per tray projected.

With solid customer counts and new unit openings, Luby's executives expect 20% yearly profit gains for the next two years.

For the nine months ended May 31, Luby's reported net profit of $8.2 million, a 17% increase over the year-ago period, and revenue of $92.2 million, an 18% gain.

George Wenglein became chairman and chief executive after co-founder Robert Luby retired in January.

LUBY'S CAFETERIAS

Fiscal Year Ended Aug. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales** (Millions)	$85.1	$99.2	$118.8	$140.0
Revenues (Where Different From Sales) (Millions)	$77.9	$91.4	$110.2	$125.0
Net Profit (Millions)	$6.5	$8.0	$9.8	$11.2
Average Store Sales† (Millions)	$1.79	$1.93	$2.16	$2.3
Average Check Per Person	$2.91	$3.18	$3.44	$3.7
Number Of Units**	51	56	59	64

Source: NRN research

*Projected

**Includes seven managed cafeterias owned by Luby's executives

†Owned cafeterias only

Luby's raised prices about 7% in the past 12 months.

Luby's reported net profit of $8.2 million on revenue of $92.2 million for the nine months ended May 31, 1981.

PICCADILLY CAFETERIAS

Company officials charting conservative growth pattern

BATON ROUGE, La.—Basking in healthy customer counts, Piccadilly Cafeterias plans five to eight new units this year but is hedging its bets on the economy.

"Our present strategy is to pursue sites for freestanding units and inventory them so we can grow in an orderly manner," said James Bennett, executive vice president and treasurer.

Real Estate

As Bennett noted that real estate makes a liquid inflation hedge, O. Q. Quick, chairman, president and chief executive, quipped: "And it's a hell of a lot easier than running cafeterias."

Quick sees no decline in interest rates for more than a year, so he is charting a course that leaves the 81-cafeteria company room to maneuver.

The company had $11.2 million in working capital at the end of the third quarter, March 31, which is a 65% increase over the prior-year period.

And with a bank of land, Piccadilly can build or sell, showing a gain on its books either way.

Acknowledging that only four more cafeterias are open since mid-1980, Quick explained, "We weren't holding back due to a lack of capital, but we were setting up our manager training program and working on existing units, tightening down operations."

"We plan to get back to the 10% expansion rate in numbers of new units," he said.

Eight new cafeterias are planned for this year, but noting the problems Piccadilly has encountered with local planning agencies, lease negotiations and a decimated shopping center building industry, Quick considered five new units "more realistic."

DAIRY QUEEN

Soft-serve giant to roll out hard ice cream in all units

BLOOMINGTON, Minn.—Latest results from the 11-unit Macon, Ga., test market indicate that soft-serve giant Dairy Queen may go ahead with systemwide adoption of hard ice cream by the middle of next year.

Sales volumes for the units in the test—which represent the great variety of types of Dairy Queen stores in the 4,800-plus unit system—have increased 14% over the first part of 1982, according to development vice president Mike Leary. Almost the entire increase, he said, is attributable to hard ice cream.

"Our goal for this product," he said, "was to get new customers into the stores and get the product into their mouths. Once we do that, we know we've got them for good because of the quality of the product."

He explained that there is surprisingly little "cannibalization" of market share—competition between the traditional soft serve product and the new hard offering—because Dairy Queen's soft serve inhabits a market niche all of its own by now.

Thus, he added, the new product can only add to sales. In the pilot test market, three units in Idaho, the "crossover" factor accounted for less than 5% of total sales.

Franchisees of the system are requesting the new product line avidly, Leary said. But they'll have to wait: the final results of the test will not be in until February.

Even then, president and chief executive officer Harris Cooper pointed out, implementation of the new program could involve years. The products' high quality, he said, makes it especially important to secure local suppliers who are able to meet the company's standards.

"With a product like this," Cooper said, "you don't want to take any chances. Easy does it."

The last year also marked Dairy Queen's expansion outside its native market segment. With the acquisition of the 220-unit Golden Skillet fried chicken chain, the company gains a foothold in a segment of the food-service industry slated for rapid expansion in the next few years.

Dairy Queen's expertise in franchising, Cooper said, will revive the operation. Golden Skillet has been plagued by years of low volumes, inconsistencies in concept and, some said, indifferent management.

Dairy Queen's performance during fiscal 1981 was, according to Cooper "right on target." Sales increased more than 10% to $1.125 million, while net profit gained just under 18% to $5.57 for the year, a noticeable improvement over the previous year's modest showing.

Steady assimilation of the 950-plus Texas Dairy Queens acquired in 1980 also affected the 1981 bottom line. Revenue jumped more than 17% to $92.6 million, while the number of units in the system dropped slightly to 4,805—the legacy of many years of lax standards under the previous management ownership of the Texas units.

Cooper, averring satisfaction with these figures, conceded the negative effect of high interest rates upon the small investors who have powered Dairy Queen's expansion in the past. He said that the company set "realistic" goals for the current fiscal year, considering mass layoffs in the industrial regions, a harsh winter in the Midwest and a deep recession all over.

NRN FOCUS

FAMILY RESTAURANT SEGMENT

Chains battle fast feeders for breakfast market share

By Joe Edwards

Family restaurants/coffee shops are spending most of their time, money and effort on image enhancement, new product development and food promotions emphasizing price, value and quality.

Full-tilt unit expansion is not evident in this segment and unit growth even among leaders such as Denny's and the various Big Boy chains is limited. Denny's has acquired a number of small chains, including VIP's and Alphy's, and is converting these units to its own coffee shop concept.

The segment is also battling fast feeders for a share of the breakfast market. Traditionally the domain of family restaurants, breakfast now is available at many fast feeders such as Hardee's and McDonald's; other fast feeders are scrambling to develop breakfast menus of their own.

As a segment, family restaurants and coffee shops are weathering the recession better than most by attracting customers trading down from higher-priced full-service restaurants and by offering greater perceived value than fast feeders—points driven home in many of the top chains' advertisements.

Denny's, the 21 Big Boy groups, Friendly, Perkins, Jojos, Coco's, Bob Evans Farms, Lyons, Country Kitchens, Howard Johnson, Marie Callender and a host of other chains are benefiting by offering true dining experiences and menu variety at relatively low prices.

This puts them at a distinct advantage over fast feeders whose menu prices have risen sharply in recent years and whose service has slowed considerably because of menu expansion.

Individual chains in the segment have their challenge. Sambo's remains a serious problem, but some executives at competing chains actually are rooting for a recovery at the beleaguered food-service giant to help the whole segment's image. Having filed for bankruptcy court protection last December following heavy losses in 1981, Sambo's is still losing millions but a new management team is trying to get the chain back on course.

Under the direction of new chairman Robert Luckey, formerly ceo of Chart House Inc., Sambo's is experimenting with an upscale family restaurant called Pleasers in Santa Barbara, Calif., while continuing with several No Place Like Sam's units in the East.

International House of Pancakes, performing marginally at best, is being sold by its ailing parent Wienerwald. Many are wondering what the Imperial Group Ltd. of Britain plans to do with its 820-unit Howard Johnson chain, which it acquired nearly three years ago. Some view Howard Johnson as a sleeping giant; others see it as a chain whose time has passed.

Elsewhere in the segment, some chains are upgrading their units, testing contemporary menu items and promoting value.

Friendly, Perkins and Denny's, to name just three, have been spending millions in the last two years sprucing up older units. Friendly, once known mostly for its ice cream, is repositioned as a family restaurant chain with a diversified menu.

Denny's has new menu items and day-of-the-week specials and has been making an extra effort to attract senior citizens with discounted meals for older customers. Perkins, which has reversed its falling customer traffic trends, has a new line of sandwich platters called Grandwiches. Jojos is testing new salad entrees and desserts and Bob's Big Boy is upgrading some of its salad bars.

DENNY'S

Billion dollar mark reached; site acquisition increases

LA MIRADA, Calif.—Denny's Inc., with a raft of new restaurant conversions opening under the Denny's logo, is pursuing an active site acquisition program. While looking to pick up more facilities from competitors, president and ceo Vern Curtis estimates that his company broke the billion-dollar mark in revenues for fiscal 1982 ended June 26.

Along with 16 converted Sambo's units, Denny's has finished the makeover of 26 of the 35 VIP's restaurants acquired earlier this year. By September the company plans to have completed conversion of 23 of the 40 Alphy's restaurants it picked up in May; the other 17 Alphy's will be sold off.

"Purchase and conversion is an attractive method of expanding our business," Curtis said. Of the 75-odd new Denny's planned for 1983 about a third will be converted acquisitions.

Curtis figures that fiscal 1982 will show about $950 million in internal revenues from company-owned stores, and an additional $110 million in sales by licensees—for systemwide sales topping $1 billion.

Denny's now has 1,923 outlets in operation, including 34 domestic franchises, 180 foreign licensees or joint ventures (primarily in Japan), and 851 Winchell's Donut Houses. Two Hong Kong restaurants and one in Guam opened this year.

The company recorded net income of $26.4 million on revenue of $703.4 million for the nine months ended March 26—a 42% increase in income over the same period last year. About an even mix of increased customer traffic and menu price increases account for the earnings boost.

To maintain its strength in the coffee shop segment (estimated at a one-third share of the market served by the five leading chains), Denny's is counting on its marketing and menu development expertise, and a gradual change to a more sophisticated image.

New items evolving out of tests (bumping other dishes off the fixed, 125-item menu) are stir-fry beef and vegetables, grilled ocean perch and pita bread sandwiches stuffed with a choice of tuna, chicken or shrimp salad. Denny's intensive testing efforts payed off with 20% of all restaurant sales derived from items added to the menu

In keeping with the company's effort to broaden its appeal beyond a stereotypical coffee shop image, Denny's is rolling out a "Series 81" restaurant design for all new-unit construction. The design is also scheduled for incorporation into renovations of existing Denny's.

The new look uses muted earth tones, especially greens, and natural wood finishes. Skylights, geometric tile patterns and textured carpeting lend a measure of sophistication not seen in the Denny's of old.

Closure of more than 100 of the company's doughnut shops in the past year has weeded out some of the marginal operations in the Winchell's chain. Although doughnut segment revenues for the first nine months of 1982 were only slightly ahead of last year, profits from the division rose by 30% for the same period.

Expansion of restaurant operations, curtailed by management in 1980, appears to be back on track, augmented by the cost-saving acquisition/conversion tactic and the company's ever-growing marketing muscle.

DENNY'S

Fiscal Year Ended June 26

	1980	1981	1982*	1983**
Systemwide Sales (Millions)	$717	$849	$1,060	$1,270
Net Profit (Millions)	$17	$27	$33	
Average Store Sales				
Denny's	$753,000	$831,000	$850,000	$870,000
Winchell's	$150,000	$168,000	$175,000	$180,000
Number of Units	1,908	1,879	1,923	1,998

Source: NRN research

*Estimated

**Projected

SHONEY'S

Famous Recipe set for national expansion

NASHVILLE—Shoney's is expected to start expanding the 222-unit Famous Recipe chicken restaurant chain that it acquired last November.

Under an agreement with Heublein, the franchisor of a group of Kentucky Fried Chicken restaurants Shoney's operated and sold subsequent to its Famous Recipe acquisition, Shoney's said it would not expand Famous Recipe for a period of 12 months following the purchase.

But the Nashville-based company indicated that once the year is up, it plans to begin building Famous Recipe, now in 22 states, into a national chain.

Famous Recipe's systemwide sales were $72 million at the time it was purchased. The chain was nearly all franchised.

Meanwhile, Shoney's continues building up its other restaurant concepts. By the end of the current fiscal year, it should have about 360 Big Boy coffee shops in operation, up from last year's 335.

Because Shoney's has territorial rights for Big Boys to only 11 states, it has developed a similar concept, Danner's Towne & Country, for expansion elsewhere. By year's end, about seven Towne & Country's should be in operation.

Captain D's, a chain of some 380 fast-seafood restaurants, is expected to increase by about 40 units in the coming year. Though average Big Boy unit sales are double those of Captain D's, the seafood concept has grown at a faster pace, in part

(Continued from page 113)

Forty new Captain D's units are expected for '83.

NRN FOCUS

FAMILY RESTAURANT SEGMENT

Howard Johnson chairman and president Mike Hostage (inset) sees a need to "harmonize" the restaurant, motor lodge and manufacturing groups.

HOWARD JOHNSON

New upscale restaurant concept undergoing tests

BRAINTREE, Mass.—Howard Johnson's will be evaluating a new upscale restaurant concept it has built adjacent to two of its motor lodges.

Called Chatt's, the restaurants are located in Chattanooga, Tenn., and Plainview, N.Y.

The two restaurants are the first HoJo's operations in which one general manager assumes responsibility for both the hotel and the dining facility. The "general manager" concept of organization is likely to be expanded to other HoJo's properties, according to remarks by Mike Hostage, who was named chairman and president of the company at the beginning of the year. HoJo's is a subsidiary of Britain-based Imperial Group Ltd., an $8 billion conglomerate.

HoJo's operates over 800 Howard Johnson's restaurants, more than 520 motor lodges, 200 Ground Round restaurants and about 20 Red Coach Grills, as well as its own commissary.

Hostage, who has characterized the company as "profitable"—though not "adequately" so—has said his first priority would be to "harmonize" the restaurant, motor lodge and manufacturing groups.

SHONEY'S

Captain D's may see fast growth

(Continued from page 104)

because its lower construction costs offer a more attractive return on investment. What's more, because Captain D's is a proprietary concept, there are no licensing restrictions to its growth.

Much of the growth is likely to be financed from internal funds. In fiscal 1981, cash flow from operations accounts for 89% of capital expenditures. Earlier this year, stockholders also voted to increase the authorized number of shares from 15 million to 30 million, thus creating another likely source for expansion capital.

SHONEY'S

Fiscal Year Ended Oct. 25

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$375	$417	$510	$700
Revenues (Where Different From Sales) (Millions)	$189	$216	$269	$310
Net Profit (Millions)	$10	$12	$15	$19
Average Store Sales Big Boys' Captain D's	 $825,000 $476,000	 $847,000 $477,000	 $950,000 $507,000	 $1.1 million $530,000
Number of Units	622	683	728	950

Source: NRN research

*Projected

For the first half ended May 9, Shoney's reported net income of $9.3 million on revenues of $161 million.

FRIENDLY

Chain introduces 1st ice cream-only menu

WILBRAHAM, Mass.—Friendly is staging a series of ice cream promos themed the "Super Summer Sundae Saleabration."

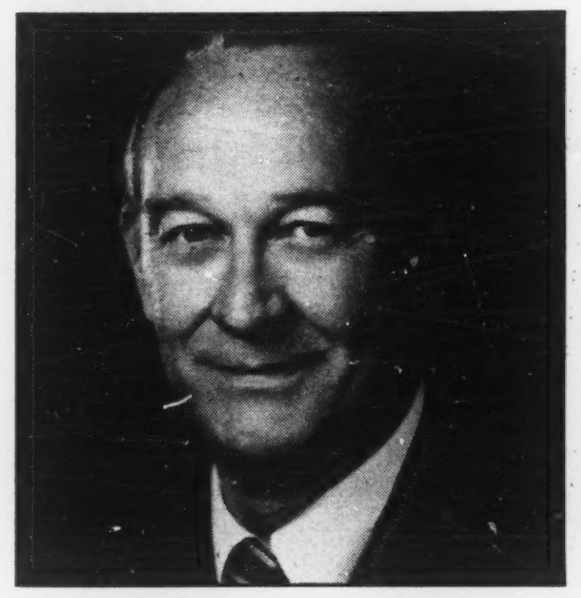
Coupled with the promotions—in one of its phases, Friendly has been offering ½-priced sundaes with the purchase of a meal—has been the introduction of the chain's first ice cream-only printed menu.

Meanwhile, the 630-unit chain, a Hershey Foods subsidiary, is nearing completion of a unit modification program it began several years ago. The program has repositioned the chain as a full-fledged family restaurant concept by bringing a new casual design and greater menu selection to its traditional ice cream and sandwich shops.

The program will be completed by the end of the year.

While about 550 of Friendly's units will sport the modified look, the rest are mostly larger "Family Dining Restaurants" whose sales are up to double those of modified units, which average between $400,000 and $450,000. Much of Friendly's future growth will come from the construction of the larger family restaurants.

A new, more efficient building design was recently introduced for that concept. While the building's overall size has been reduced by 20%, seating has been cut by only two seats. The more efficient model should provide the chain, which operates in the Northeast and Midwest, a better return on investment.



James D. Staggs
Chief executive officer

Earlier this year, James Staggs, a veteran Friendly officer, moved up to chairman in addition to his duties as chief executive officer.

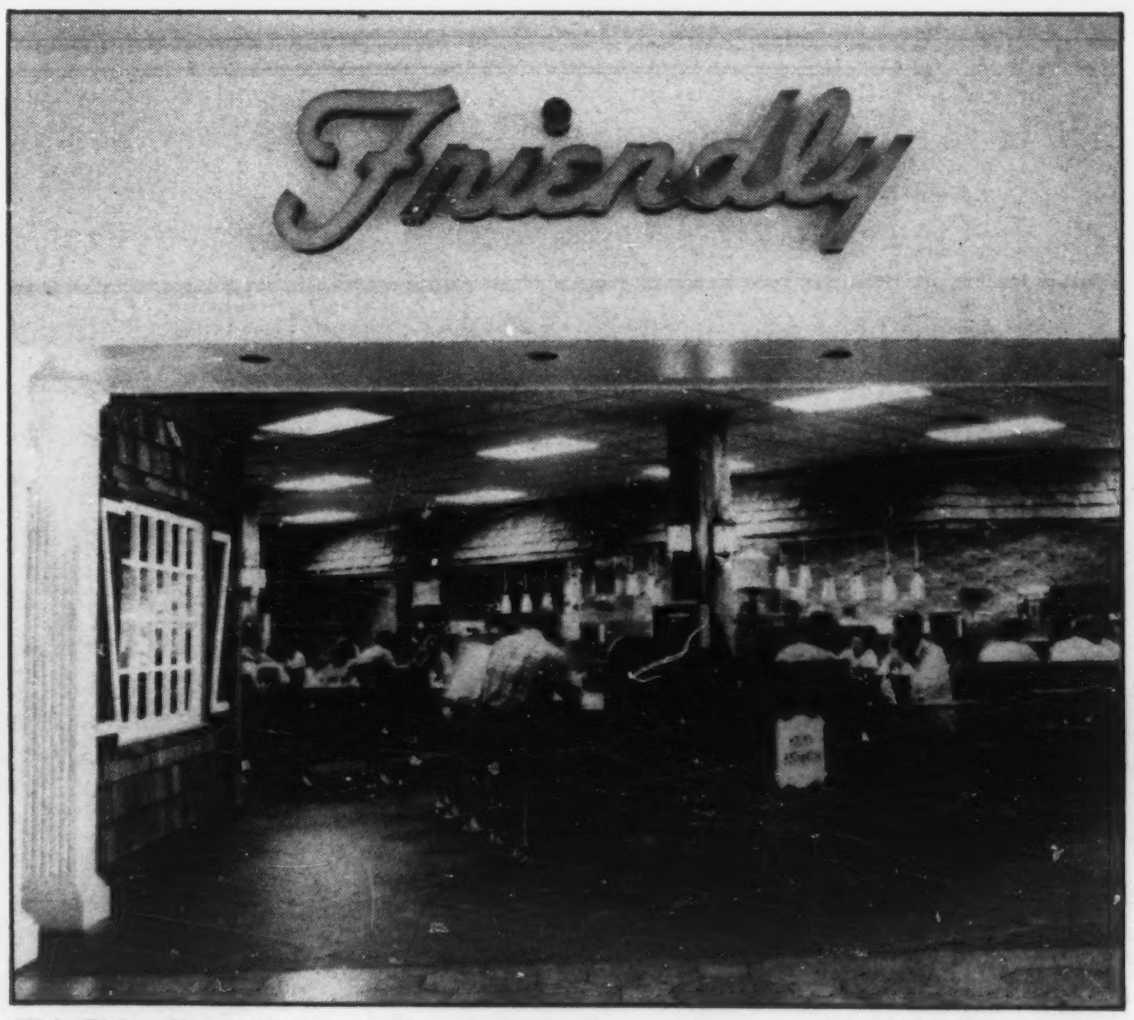
FRIENDLY

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$224.1	$274.3	$302.9	$320.0
Operating Profit (Millions)	$23.3	$25.6	$29.3	$33.0
Number Of Units	615	630	626	635

Source: NRN research

*Projected



This Friendly mall unit in Farmington, Conn., sports a variation on the chain's new casual look.

NRN FOCUS

FAMILY RESTAURANT SEGMENT

INTERNATIONAL HOUSE OF PANCAKES

Marginally profitable, and now up for sale

NORTH HOLLYWOOD, Calif.—IHOP Corp. was being offered for sale at presstime by its parent company, Swiss-based Wienerwald. Strapped for cash and pressured by creditors at home, Wienerwald reportedly was also seeking to divest itself of its other major United States operation, Miami-based Lums.

Any new owner of California-based IHOP will have his work cut out for him. Marginally profitable at best, IHOP Corp.—which includes some 500 International House of Pancakes, 50-odd Love's barbecue and 20 Copper Penny restaurants—has been struggling to establish growth momentum for the past two years.

A revitalization program started when Wienerwald first bought into the chain in 1979—it completed its acquisition last fall—has born some fruit, however, according to Richard K. Herzer, IHOP's president. Helped by an infusion of cash from Europe, the once highly leveraged IHOP has been gradually remodeling units and has introduced a new, pared-down menu chainwide.

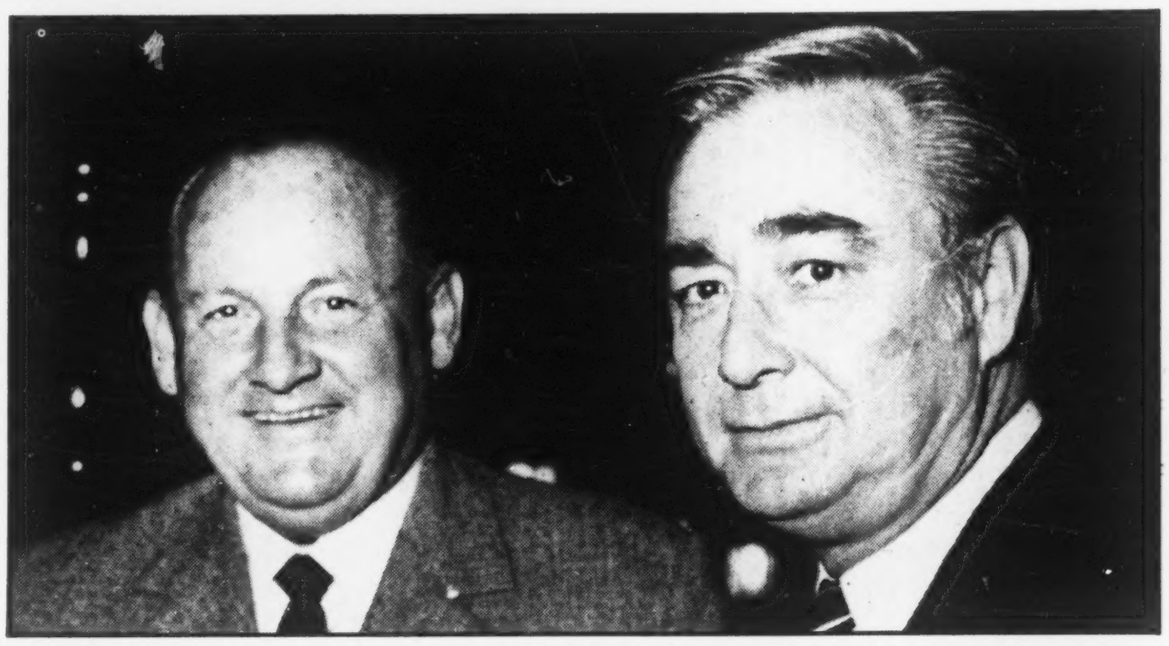
Because Wienerwald is a privately held company, IHOP does not release financial results. Overall sales, however, are believed to be running at $265 million; average unit sales for the system are about $460,000 a year.

"We're basically doing just about as expected" when the revitalization program began, Herzer maintained in an interview.

In the recent past, IHOP units have begun offering spit roasted chicken, the signature item of European Wienerwald restaurants. The introduction was designed to increase dinner traffic and apparently came at the behest of Wienerwald founder and head Friedrich Jahn. Whether IHOP officials themselves welcomed the menu move is unclear, however.

Herzer, for one, time and again has been stating breakfast items have been IHOP's lifeblood; to convert the units into a three-meal concept, he implied, would be to dilute its perceived strength in the marketplace.

Breakfast items currently account for about 70% of a typical IHOP restaurant's sales.



Wienerwald founder and current IHOP owner Friedrich Jahn (left) with IHOP president Richard Herzer.

PERKINS

Changes reflect a back-to-basics concept

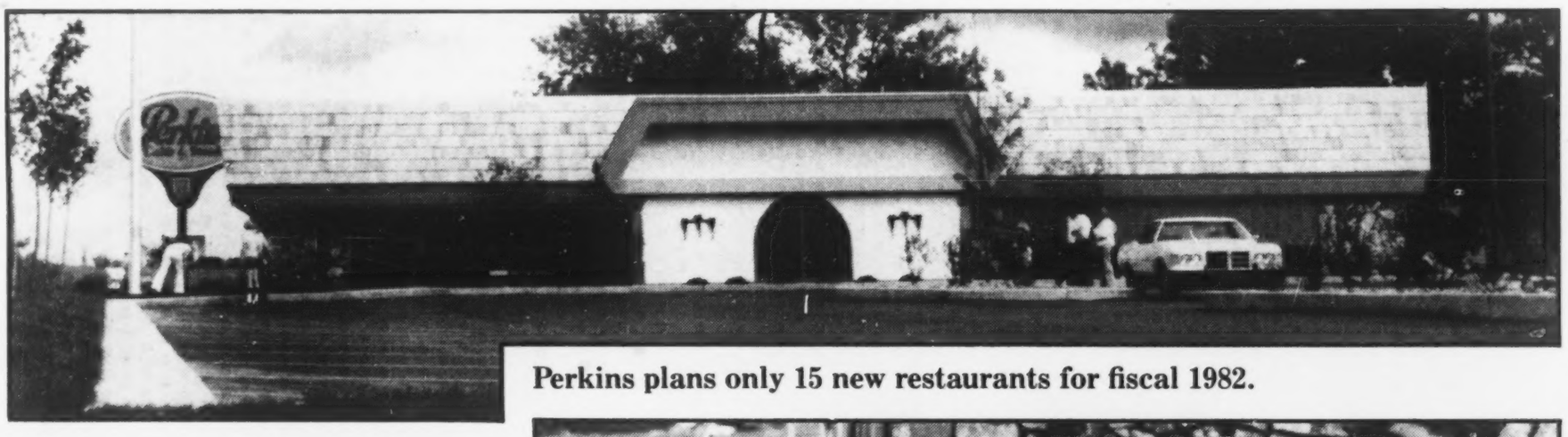
BLOOMINGTON, Minn.—Perkins is opening only 15 new restaurants this year while continuing a back-to-basics program centering on stepped-up recruiting and training programs, improved and standardized service and food and unit upgrading.

The 343-unit family restaurant chain also is making changes based on extensive consumer research conducted last year. That research has already led to the rollout of five hamburger and two specialty sandwich platters, served with french fries and salad, which sell for about $3 each. New menu items will be in test before the end of the year.

Perkins, acquired by Holiday Inns in the late 1970's, reversed a downward spiral in customer counts last year, when traffic was up 1.4%. Customer counts were up in the first three months of this year as well. In 1979 and 1980, counts were off 14.9% and 13.3% respectively.

There were 242 franchised and 101 company-owned restaurants operating in 27 states at the beginning of this year. Future development of the chain is being done by franchisees, with about 15 franchised units scheduled to open by year's end.

Though customer counts were up in January, February and March despite severe winter weather in the upper Midwest, where most Perkins are situated, margins were off due to stable menu prices and other unit-level cost control programs, the company said.



Perkins plans only 15 new restaurants for fiscal 1982.

One of the company's strategies to reverse its declining customer traffic in 1979 and 1980 has been to hold menu prices steady; guest checks are from 10% to 25% higher than the competition's, according to the company. Perkins competes with family restaurant chains and coffee shops such as Denny's, Sambo's, Shoney's and Howard Johnson, where average per-person checks are in the $3.50 to $4 range.

Perkins' all-day menu includes a full line of breakfast items, special children's selections, sandwiches and platters. The latest items are the $3 Grandwich platters which include cheesesteak on a Hoagie roll; a deli sandwich with ham, turkey, corned beef, bacon, cheeses and garnishes on a roll, and ⅓-lb. hamburgers served on whole grain buns with a choice of toppings (bacon and cheese; chili, cheese and onion; ham and cheese, and sour cream, onion and tomato). Grandwich platters are served with steak fries and salad.

The company is continuing to upgrade the exteriors of many of its older units, and is closing down some older restaurants.

Perkins contributes about 2.3% of Holiday Inns' total operating income. In fiscal 1981, ended Jan. 2, 1982, Perkins reported operating profits of $6.5 million on revenues of $96.3 million. Total systemwide sales were $265 million.

Phil Barksdale is president of Perkins.

PERKINS

Fiscal Year Ended Jan. 2, 1982 (Fiscal 1981)

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$206	$241	$265	$280
Revenues (Where Different From Sales) (Millions)	$30.4	$93.1	$96.3	$102
Operating Profit (Millions)	$2.9	$4.2	$6.5	$7.0
Average Store Sales	$540,000	$648,000	$750,000	$772,000
Number of Units	364	375	343	358

Source: NRN research

*Projected; Fiscal 1981 ended on Jan. 2, 1982. Current fiscal year is 1982

Perkins has held menu prices stable so far this year.

In the first three months of this year, customer counts were up slightly at Perkins. Holiday Inns Inc., Perkins' parent company, does not break out quarterly sales and operating profits for its subsidiaries. Holiday Inns reported total operating income of $20.7 million in the first quarter ended April 2; about 2.3% of that came from Perkins.

NRN FOCUS

FAMILY RESTAURANT SEGMENT

SAMBO'S

Pleasers test keeps salvation hopes alive

By Charles Bernstein

CARPENTERIA, Calif.—Sambo's has launched a new high-end coffee shop called Pleasers restaurant in nearby Santa Barbara which it views as a potential wave of the future and the possible salvation of the chain, if the pilot proves truly pleasing.

The one thing that's clear under the new administration of chairman Robert Luckey is that Sambo's has many strong sites among its 666 remaining restaurants but that a new concept and name are necessary to rejuvenate the chain, perhaps in a trimmed-down version.

No financial turnaround is yet evident as Sambo's struggles with a myriad of challenges. It suffered a $10.8 million net loss for its first quarter ended April 1, compared with a $9.4 million net loss for the same period last year. Average comparable restaurant sales for the first quarter dipped 20% to $100,000.

This followed a disastrous year in which Sambo's closed 447 restaurants in November and then filed for Chapter XI bankruptcy reorganization. The chain suffered a $53 million annual net loss, and on Feb. 10 Luckey, then president and chief executive of Chart House Inc., was named Sambo's chairman and ceo to replace Daniel Shaughnessy, who held the post 27 months.

City Investing continues to hold 34% of the common stock and to control the board. But Robert W. Wilson, a former heavy investor in Resorts International, purchased 5.7% of the stock, and a number of others also have started investing in what is perceived as a possible stock market turnaround situation over the next year or two.

Sambo's new Pleasers restaurant, at a converted Sambo's restaurant next to the company's former corporate headquarters, has been drawing big traffic in its first few months. But the test will have to await more time because almost any new restaurant in the heart of Santa Barbara at first tends to attract hordes of people as a novelty.

New Look

Pleasers appears to be more like a Marie Callender's than anything else. It has an average per person ticket of $5 or $6 and features a pasta bar offering a pasta, salad and garlic bread for $4.95. Among other highlights of the sharply upgraded restaurant are homemade soups, barbecued ribs, barbecued chicken, chicken, stuffed potatoes with a variety of fillings, fresh-baked muffins and key lime pie which particularly distinguish it as decidely upscale from a Sambo's.

The restaurant also serves a breakfast which resembles a Sambo's rather than a Pleasers.

After Luckey and new Sambo's president and chief operating officer Roger Kisiel visited numerous Sambo's restaurants around the country, Luckey said efforts are being directed "toward improving the cleanliness and service in the restaurants and upgrading the quality of our menu items. New staffing procedures and comprehensive employee training programs are being developed for all levels of restaurant operations."

He emphasized that "many items have been upgraded and new standards of quality control are being installed to ensure customer satisfaction."

By implication, the feeling was that Sambo's had fallen down drastically in those areas.

A program is still in progress to sell the leases on shuttered Sambo's restaurants for needed cash, or to cancel leases where no buyers are available.

SAMBO'S

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Revenues (Where Different From Sales)	$573,034	$491,071	$461,322	
Net Loss	$77,779	$11,621	$53,011	
Loss Per Common Share	$6.06	$1.05	$4.33	

Source: NRN research

*Projected

BOB'S BIG BOY

Salad bar sales show growth

GLENDALE, Calif.—Salad bar sales have been growing rapidly and now account for 8% to 12% of unit sales in Bob's Big Boys, says Roy Raskin, vice president of franchising for Big Boy.

The salad bars are in 90% of Bob's 220 units, Raskin says.

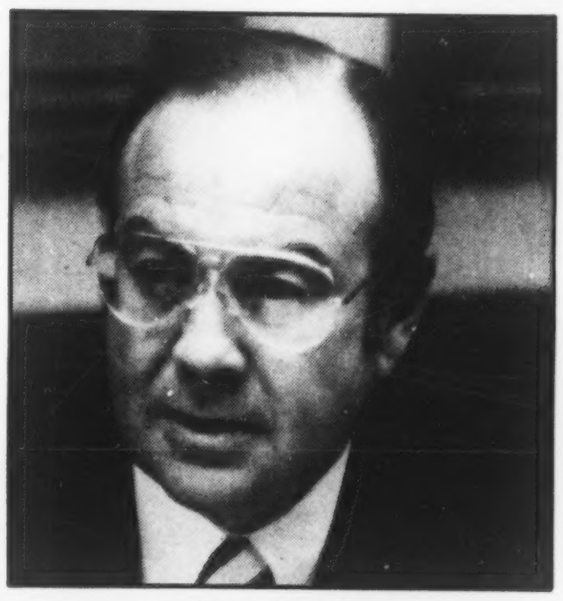
Raskin also says that new breakfast promotions have been boosting sales. The biggest of these is a deep-fried French toast special, which has two slices of the toast, two eggs and two pieces of either bacon or sausage, for $1.59 to $1.79.

Claiming that this special has been "very effective," Raskin adds, "It hasn't taken away from the more expensive breakfast choices and it's brought in those who wouldn't normally stop in for breakfast."

Customer counts have also been improved by remodeling the restaurants, Raskin says. Many units now have what he calls a "plusher look" with the addition of new wall coverings, carpeting and light fixtures. Some Midwest units have added extensions to make an atrium or greenhouse effect. These moves are to attract customers who want "ambience" along with their meals, says Raskin.

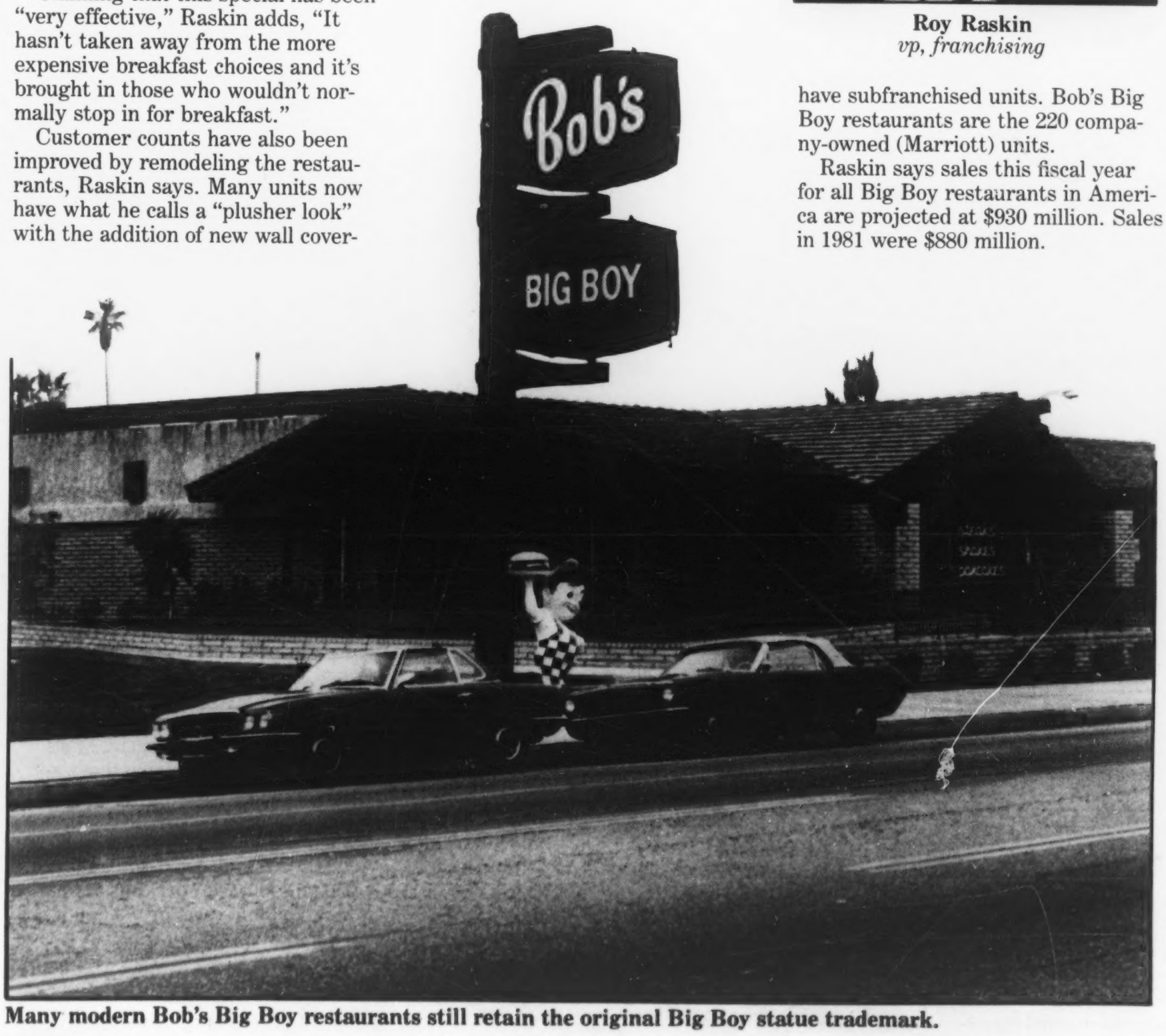
"We're moving away from the coffee shop look," he adds.

There are currently about 1,180 Big Boy restaurants nationwide, operated by 21 different corporations. Marriott Corp. owns the rights to the Big Boy name and trademark and has many franchisees, some of whom have subfranchised units. Bob's Big Boy restaurants are the 220 company-owned (Marriott) units.



Roy Raskin
vp, franchising

Raskin says sales this fiscal year for all Big Boy restaurants in America are projected at $930 million. Sales in 1981 were $880 million.



Many modern Bob's Big Boy restaurants still retain the original Big Boy statue trademark.

NRN FOCUS

FAMILY RESTAURANT SEGMENT

FRISCH'S

Ready to grow again after two-year hiatus

CINCINNATI—After a hiatus of two years, Frisch's Restaurants is planning to once again build new units, according to Louis Ullman, the company's financial vice president.

Frisch's restaurant holdings include about 110 Big Boys, 25 Roy Rogers and four Prime 'n Wine specialty restaurants. It also franchises about 95 Big Boys. Restaurants are located in seven states: Ohio, Kentucky, Indiana, Florida, Texas, Oklahoma and Kansas.

Frisch's, a publicly held company, for the past two years halted virtually all growth to concentrate on strengthening unit-level controls and to increase overall profitability, Ullman said. These efforts included restaurant remodeling and operational improvements, such as increasing speed of service.

Ullman did not say how many new restaurants would be built.

In the most recent available financial report, Frisch's said net income for the first nine months ended March 7 rose 55% to $2.8 million. Revenue increased 4.4% to $81 million over the prior year's.

Jack Maier
president

Louis Ullman
vp, finance

FRISCH'S

Fiscal Year Ended May 30

	1980	1981	1982†	Current Fiscal Year*
Systemwide Sales (Millions)	$140.0	$152.0	$160.0	$170.0
Revenues (Millions)	$101.0	$103.0	$107.0	$115.0
Net Profit (Millions)	$2.4	$2.9	$3.7	$4.5
Average Store Sales	$630,000	$650,000	$675,000	$710,000
Number of Units	238	233	234	240

Source: NRN research

*Projected

†Estimated

For the nine months ended March 7, Frisch's reported a net income gain of 55.4% to $2.8 million, on revenue that rose 4.3% to $81 million, over the prior year's comparable period.

VICTORIA STATION

Niglio facing tough job to maintain recovery pace

(Continued from page 93)

he can thoroughly assess all the studies commissioned by Collins and meet all the management personnel who have survived recent executive realignments.

Victoria Station performed a $7 million turnaround in fiscal 1982, posting profits of $1.2 million on revenues of $123.9 million, as opposed to the $6.3 million loss on revenues of $134.9 million recorded in 1981. The actual earnings turn was closer to $6.2 million if adjustments are made to eliminate special one-time charges and credits in 1981 and 1982.

The 8.2% decline in revenues in 1982 was due primarily to an 8.4% decrease in the number of dinners served, the closure of some units and a 12.4% decrease in the number of units serving lunch.

According to company sources, the 1982 profit was due to a cost-of-sales reduction (to 34.6%), an expanded menu and improved operating and purchasing practices.

Outside research done under Collins' regime indicated that the Victoria Station dining experience lacked excitement and memorability in the public's perception. Indications were that a gradual switch to a Houlihan's-type atmosphere was being planned.

The smaller workload in number of tables served by waiters, a concept already being tested, was thought to improve customer satisfaction by involving the waiter in all aspects of service, from cocktails and food to busing. The increased labor costs which the plan would dictate would be offset by a new labor productivity program, according to company plans.

Skylights, new color schemes and lighting improvements were other short-term changes implemented in many stores as executive power was changing hands. Six VS properties have been sold off in the last two years.

Niglio has already established among his first priorities the continuation of menu development and fine tuning. He also has said the need exists for a more precise definition of the customer type/market segment at which VS would be directing future marketing efforts. Niglio's strategies for enhancing Victoria Station's long-term profit picture are certain to crystalize in the coming weeks.

If Collins' suspicion is correct that the company's boxcar theme had grown stagnant over its 13-year life, then a major shift in image may yet materialize.

JERRICO

Plan expanded test of baked fish entree

LEXINGTON, Ky.—Jerrico's Long John Silver's Seafood Shoppes are expanding a test of a baked fish platter into a new market this summer. A decision on whether to go into additional markets is expected by September.

The 1,300-unit chain views baked fish not as just another menu addition, but as a way of opening up an entire new market of nutrition-conscious consumers; early advertising has played on the "health" theme.

The latest test market is Youngstown, Ohio.

Some analysts believe that once rolled out, baked fish products will account for 30% of Jerrico's sales. But the company has been slow in expanding the test, mainly because of the cost of new equipment and store remodeling that's needed to accommodate the product. Jerrico has placed the cost at $30,000 per store.

For the first nine months of the past fiscal year, which ended June 30, company-operated stores showed a negative real growth of 3%, after considering price increases of 4%. The company blamed the decline partly on severe winter weather during the third quarter.

Despite that lackluster performance, the Lexington, Ky.-based chain is deemed well-positioned to increase both its sales and market share in the fast seafood category. Part of the reason is thought to be the relative lack of competition and market penetration in seafood.

Long John Silver's already commands about 50% of the market. Its nearest competitor is Shoney's Captain D's, with 400 units, while Arthur Treacher's, though perhaps best known of all the seafood chains, has virtually collapsed following an extended franchisee revolt.

JERRICO

Fiscal Year Ended June 30

	1980	1981	1982	Current Fiscal Year*
Systemwide Restaurant Sales				
Long John Silver's	$386,600	$463,900	$540,000	
Jerry's Coffee Shop's and others	$41,400	$44,000	$48,000	
Total	$428,000	507,900	$588,000	
Revenues (Where Different From Sales) (Millions)	$316.1	$379.4	$440.0	
Net Profit (Millions)	$15.9	$21.0	$24.0	
Average Store Sales				
Company-operated Long John Silver's	$399,000	$453,000	$500,000	
Jerry's	$590,000	$632,000	$665,000	
Number of Units				
Long John Silver's	1,033	1,125	1,250	1,375
Jerry's	71	71	72	73

Source: NRN research

*Projected

NRN FOCUS

HOTEL SEGMENT

Lodging chains spotlighting restaurants more than ever

By Joe Edwards

When lodging chains advertise these days, they concentrate on the quality of their restaurants more than at any time in recent memory. For a variety of reasons, hotels are putting great emphasis on food service.

Between 40% and 50% of total sales at some top chains come from restaurants, bars, room service and banquet halls. Industrywide, about 34¢ of every lodging dollar is generated by food and beverage sales.

Usually scorned by critics, some hotel restaurants are even achieving gourmet status: Omni International's two hotel restaurants in Atlanta won *Travel/Holiday* fine dining awards this year. In secondary cities where several major chains are concentrating their expansion efforts, hotel restaurants are sometimes the best restaurants in town.

Marketing of hotel restaurants to a local clientele is also taking place in major cities, although in some cases the hotel restaurants have an identity (and an entrance) all their own. The Intercontinental Hotel in New York does not mention the hotel in its ads for La Recolte, its upscale tablecloth restaurant which has an entrance around the corner from the main lobby.

Chains such as Hilton International, Hilton Hotels, Hyatt Hotels, Westin, Sheraton, Marriott and others attach their names to their hotel restaurants and market the restaurants to local residents as well as guests.

Realizing the importance of food service, even chains without their own restaurants are developing properties in conjunction with restaurant chains: Bob Evans Farms and Tanglewood Farms, two regional coffee shop chains, have opened restaurants adjacent to La Quinta properties.

Chains as diverse as Denny's family restaurants and The Palm upscale steakhouses have several units in leased hotel space. Many Holiday Inns have independent restaurants on the premises.

Hotels continue to feel the effects of the recession; all segments of the industry have seen a dropoff in occupancy rates so far this year, except for airport hotels; much future development is expected at airport sites. The occupancy rate at all hotels and motels is about 63% this year, down from the 67% rate in 1981, according to Laventhol & Horwath, an accounting firm which tracks the industry. (Airport hotels have a 72.4% occupancy rate.)

The industry continues to attract institutional investors and major hotel properties are under construction throughout the country. Many chains are opting for management contracts to operate hotels which are owned by others. Marriott, which has been expanding through such arrangements, is opening about 18 properties this year; the chain enjoys a 79% occupancy rate.

Several chains are experimenting with new concepts. Ramada Inns has been opening upscale Ramada Renaissance Hotels and Holiday Inns is ready to develop 25 upscale hotels positioned on the upper end of the midpriced segment. Several chains are interested in developing properties with suites to appeal not only to overnight guests but vacationers and relocated families looking for homes.

Some budget chains, notably La Quinta and Days Inns, are reaping the benefits of a trading-down trend as businesses cut back on expense accounts for their traveling executives.

HOLIDAY INNS

2 new hotel concepts on the drawing board

MEMPHIS—With its transformation into a company with three distinct but related operating groups—hotels, restaurants and casinos—finally complete, Holiday Inns Inc. has embarked on a major expansion effort which includes the development of two new hotel concepts.

On the drawing boards at headquarters here is a $1.25 billion joint venture with W. B. Johnson Properties Inc., an Atlanta-based franchisee, to build 25 upscale, high-rise Holiday Inn Plaza hotels in metropolitan areas in the next 10 years.

Holiday Inns has been flirting with the upper end of the midpriced hotel segment for several years, but this will be the company's first serious thrust to compete with chains such as Marriott and Hyatt in lucrative urban markets.

Holiday Inn Plaza hotels will have 400 rooms or more each and will have meeting facilities and public areas, unlike the mainstream, roadside Holiday Inns that helped define the domestic lodging industry for so many years.

The new hotel concept will offer guests more amenities than the average Holiday Inn hotel. Rooms will be priced in the $80 to $90 range in some major cities, compared to the average rate of $40 a night at existing company-owned hotels.

W. B. Johnson Properties, which franchises 10 Holiday Inns and also is involved with hotel development for Marriott and other chains, is financing the projects by selling equity in the properties to insurance companies after they pay off Johnson's bank construction loans.

Plans were to be finalized this summer and construction was expected to begin this year on the first Holiday Inn Plazas in New York, Los Angeles and San Francisco.

Holiday Inn Plazas fit in with the company's stated desire to expand in major destination sites—primarily downtown and airport areas—to attract business travelers. Traditional high-rise Holiday Inns are under construction at airports in San Francisco, San Antonio, Texas and Los Angeles.

Bob Milburn, senior vice president for hotel group development, finance and planning, clarified the company's intentions recently by explaining that Holiday Inns is not making a foray into the luxury hotel segment. The Plaza hotels will be on the upper end of the midpriced scale and offer more guest amenities, modest meeting facilities and more public areas, Milburn said.

The second concept being developed by Holiday Inns is hotels with suites, offering sitting rooms, bathrooms, wet bars and one or two bedrooms. The suites will be marketed not only to business travellers but to families searching for new homes or travellers who don't want to stay in traditional hotels.

Holiday Inns, with about 1,750 hotels now operating worldwide, plans to add 67,000 new rooms to its system by 1985 at a cost of $3.5 billion. By the end of that year, there will be a net total of 344,000 rooms in the Holiday Inns system, making it the largest lodging chain in the world by a wide margin.

Holiday Inns, which has captured 16% of the total domestic lodging market, has been opening a hotel at the rate of about one every five days for the last couple of years. This year, about 17 company-owned, 28 fran-

(Continued on page 124)

MARRIOTT CORP.

Expansion plans keyed to management contracts

WASHINGTON—Marriott Corp. is adding about 10,000 new rooms to its growing inventory this year by opening 18 new properties and expanding the number of rooms and size of facilities at four existing hotels.

The diversified lodging, food-service and entertainment company owns, operates and franchises 105 hotels and resorts, mostly in the United States, through its Hotel Group, which reported sales of close to $821 million in 1981.

Other operating groups include contract food service, which provides in-flight meals for about 100 airlines and food service at airport terminals, restaurants on limited access highways and for businesses, schools and health care institutions; restaurants, primarily Roy Rogers, Gino's, Rustler steakhouses, Big Boy, and Hot Shoppes; two Great America theme parks, and the Sun Line cruise ships.

Food and beverage sales at Marriott hotels were about $303.8 million in 1981, up from $243 million the previous year. Restaurants and other nonroom items at Marriott hotels accounted for 47% of total Hotel Group sales last year.

Despite the economy, which has caused a cutback in travel, Marriott's hotels continue to enjoy an occupancy rate of 79%, about 12 percentage points higher than the industry average.

Marriott's room rates are expected to exceed the inflation rate again this year, although not by as wide a margin as in the past. Hotel Group sales rose 34% in the first quarter, ended March 26, partly due to room rate hikes, a slight increase in occupancy and the contribution of 23 hotels added in 1981.

Marriott is continuing on an expansion course keyed to the signing of long-term management contracts at hotels owned by others. The management contracts typically run for 25 to 30 years, with renewal options of up to 50 years.

Of the 98 Marriott hotels operating at the end of 1981, the company owned 21 with 8,530 rooms; managed or leased 53 others with 24,558 rooms, and franchised 24 with 7,331 rooms.

Most new hotels will be operated by Marriott and owned by others. Franchising will be limited to control quality, a spokesman said.

Marriott executives point out that the company-owned hotels are valued at $755 million and could be sold and converted to long-term management agreements. In the last seven years, about $420 million in hotel equity has been sold by Marriott, primarily to institutional investors.

Expansion is being financed in several alternative ways, including a hotel equity syndication in which 11 hotels costing $365 million are debt financed by commercial banks and offered to investors in the form of limited partnership interests. Marriott will operate the hotels.

Sales and operating income for hotels increased about 25% each annually from 1976 to 1980. In 1981, sales were up 25% and operating income 12%.

Net income in 1981 was $86.1 million on total systemwide sales for all businesses of $2 billion. In the first quarter of this year, Marriott reported net income of $16.9 million, compared to $14.3 million for the same period in 1981, on total sales of $516.2 million, up from $412.5 million in 1981's first quarter.

The Hotel Group reported operating income of $35.7 million on sales of $243.6 million in the first quarter.

A closer look at Marriott's restaurant and contract feeding groups can be found elsewhere in this section.

J. Willard Marriott is founder and chairman of the board and J. W. Marriott Jr. is president and chief executive officer.

NRN FOCUS

HOTEL SEGMENT

THE SHERATON CORPORATION

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Food & Beverage Sales (Millions)	$630	$735	$840	$940
Number of Food & Beverage Units	968	1,095	1,138	1,180

Source: NRN research

*Projected

SHERATON

New promotional package geared to health, nutrition

BOSTON—Sheraton is readying a so-called "Eat, Drink and be Healthy" promotional package that ties in its restaurants' "nutritional" foods with available health and recreational facilities.

Under the program, guests checking into a Sheraton will receive various brochures highlighting, for example, low calorie menu items offered at the hotel's food and beverage outlets. Other literature will direct the guest to local health clubs or jogging paths.

The program is part of the Boston-based hotel company's policy to reflect current lifestyles and consumer preferences in its food and beverage operations, according to Stephen Peeck, director of Sheraton's North American food and beverage operations.

In line with that strategy, Sheraton also continues to emphasize the "new" American cuisine as well as American wines at many of its top-of-the-line, "signature" restaurants. These restaurants—no two are alike—now number about 30 and are designed to appeal both to hotel guests and local residents.

Peeck said overall food and beverage sales as a ratio of room sales were "holding up well," although catering operations had softened because many United States companies, feeling the recession's pinch, have been holding fewer and smaller conventions.

Sheraton operates over 400 hotels and inns worldwide, including about 350 in the United States. A total of seven new company-owned properties are scheduled to open this year.

HYATT HOTELS CORP.

Expansion scenario targets mostly secondary U.S. cities

ROSEMONT, Ill.—Hyatt Hotels Corp. is opening between eight and 12 hotels this year, most of them in secondary cities such as San Antonio, Tex.; New Brunswick, N.J.; Greenville, S.C., and Tampa, Fla.

As has been the private company's practice, most of the hotels will feature several restaurants and bars. Hyatt promotes food service through its "Touch of Class" advertising campaign and close to 50% of Hyatt's $1 billion sales in fiscal 1981, ended Jan. 31, 1982, came from restaurants, bars, banquets and room service.

One of the company's newest properties is the 615-room Hyatt Regency Crystal City near the Washington, D.C., National Airport.

Hyatt ranks No. 20 among worldwide lodging companies in terms of total number of rooms. At the end of fiscal 1981, there were about 34,000 rooms in the Hyatt system.

Hyatt Hotels Corp. is expanding at a modest pace mostly through management contracts in much the same fashion as other chains in the high-priced segment.

Only about eight of the hotels in the system are owned by the company; Hyatt has some equity interest in the 40 or so hotels that are majority owned by others. Several Hyatts are owned outright by Pritzker family trusts.

The Pritzkers are a Chicago family which took the company private in 1979. They also have an 80% interest in Hyatt International, a separate company which is publicly owned. There are about 40 Hyatt International Hotels in 23 countries. Hyatt International operates Vista International hotels in the United States.

The Nevada-based Elsinore Corp. is also controlled by the Pritzker family. Elsinore operates two hotel-casinos in Las Vegas and Lake Tahoe, Nev., and is a partner in the Playboy hotel-casino in Atlantic City.

Jay A. Pritzker is chairman of Hyatt Hotels Corp. Pat Foley is president of Hyatt Hotels.

HYATT HOTELS CORP.

Fiscal Year Ended Jan. 31 (Fiscal 1981)

	1979	1980	1981	Current Fiscal Year*
Systemwide Sales (Millions)	$600	$750	$1,000	$1,200
Total Room Sales (Millions)	$325	$400	$535	$650
Total Food and Beverage Sales (Millions)	$275	$350	$410	$550
Number of Units	51	56	62	70

Source: NRN research

*Projected

Hyatt Hotels Corp. is a private company and does not release quarterly sales reports or income figures.

HOLIDAY INNS

Fiscal Year Ended January 1982 (Fiscal 1981)

	1979	1980	1981	Current Fiscal Year*
Total Revenues (Billions)	$1.1	$1.5	$1.7	$1.8
Revenues From Rooms (Millions)	$402	$434.5	$448.6	
Revenues From Hotel Food and Beverage (Millions)	$178	$187.7	$177.5	
Net Income (Millions)	$55	$108	$137	
Operating Income+ Hotels (Millions)	$137.3	$154.6	$170.9	
Gaming (Millions)	$1.0	$24.1	$56.2	
Restaurants++ (Millions)	$2.9	$4.2	$6.5	
Occupancy Rates**	73.8%	71.5%	69.2%	67%
Average Rate Per Occupied Room**	$32.65	$36.80	$40.79	
Number of Hotels	1,741	1,755	1,749	1,800

Source: Company reports; NRN research

*Projected

**Occupancy rates and average room rates are for company-owned and operated hotels only.

+Operating income does not include figures from steamships and other properties.

++Details on Perkins, the Holiday Inns subsidiary, are printed in the coffee shop/family restaurant section.

Holiday Inns Inc. reported profits of $24.6 million on revenues of $332.5 million for the first quarter ended April 2.

HOLIDAY INNS

Developing 2 new concepts

(Continued from page 123)

chised and 13 foreign hotels will open.

The company has been "very aggressive in investing our own money in the hotel business," Milburn said, adding that in the next three years $1 billion, most of it from internally generated cash, will be invested in new properties.

The company will continue to emphasize franchising for expansion but will consider management contracts and joint ventures for some company-operated properties, Milburn said. More than 1,500 Holiday Inns are franchised properties.

Holiday Inns' two-year-old involvement in casinos has been paying off. Operating income from the company's hotel-casinos in Nevada and New Jersey more than doubled in 1981 to $56.2 million. First quarter income from all continuing operations rose 48.6% to $20.8 million, primarily due to "excellent results" achieved by the gaming group, according to a spokesman.

Harrah's Marina, the only casino operating away from the Atlantic City, N.J., boardwalk, received a permanent license last November. The company owns 4.5 acres on the boardwalk where it is building a second hotel-casino in a joint venture with a New York real estate firm.

Holiday Inns, after a top management change in the mid-1970's, began selling off its many subsidiaries which were not directly related to the hospitality industry.

The last of these companies, Delta Steamship Lines Inc., was offered for sale earlier this year. Holiday Inns now owns, operates and franchises hotels, hotel-casinos, hotel restaurants and Perkins, the family restaurant chain.

Occupancy rates at company-owned domestic properties are off about two percentage points this year, to 67%, the average occupancy rate for all domestic hotels and motels, according to most recent figures.

Holiday Inns Inc. reported net income of $137 million on total systemwide revenues of $1.7 billion for fiscal 1981, ended Jan. 2, 1982.

Roy E. Winegardner is board chairman and Michael D. Rose president and chief executive.

NRN FOCUS

HOTEL SEGMENT

Hilton's Las Vegas operations have been slumping, with the Las Vegas Hilton, scene of a disastrous fire last year, still not fully recovered.

HILTON HOTELS CORP.

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Corporate Revenues (Millions)	$527.6	$575.6	$612.7	$614.9
Net Profit (Millions)	99.3	106.1	112.6	110.7
Company-Owned Hotels				
Total Sales (Millions)	481.4	512.3	525.4	
Food and Beverage Sales (Millions)	150.5	155.0	161.4	
Food and Beverage Expenses (Millions)	107.5	112.6	118.3	
Food and Beverage Sales For Company-Owned and Managed Hotels (Millions)	315.3	347.5	369.3	
Total Units				
Company-Owned	17	17	17	17
Company-Managed	21	29	31	33
Franchised	145	163	173	188

Source: NRN research

*Projected

In the first quarter ended March 31, 1982, net profits were $21.9 million and revenues were $155.3 million. Food and beverage sales in company-owned hotels were $40.4 million and food and beverage expenses were $30.7 million.

HILTON HOTELS CORP.

Recession forcing cut in immediate expansion

BEVERLY HILLS, Calif.—Hilton Hotels Corp. is battening down the hatches and apparently bracing to report the first year-end earnings dip since 1976.

A recession, for the first time since gambling was legalized, has rolled snake eyes for Nevada, where Hilton's three casino-hotels supply two-fifths of the company's revenues.

Air traffic to the desert resort is down by 8%, cutting occupancy at Hilton's operations by five points to 78% for the first quarter ended March 31.

The decline was led by the Las Vegas Hilton, still slumping from last year's disastrous fire. Hilton's newest Nevada acquisition, the Reno Hotel purchased in December for $34.5 million, is expected to run at a loss through the year.

Occupancy rates at Hilton's other owned and managed properties dipped two points in the first quarter to 63%, led by a three-point decline in owned properties to 59%.

The first-quarter financial figures reflected the occupancy figures. Net profit in the first quarter fell 19% to $22 million while operating income fell 21% to $38.4 million. The Nevada properties' operating profit was down 31%. Revenues gained 6% to $155.3 million.

Hilton needs a pickup in convention business to turn the first-quarter auguries into year-end gains. But that is unlikely since Hilton's trends follow by at least two quarters the general economy and second-quarter figures were expected to echo the first quarter.

Hilton is reacting to the setbacks by scaling down this year's expansion.

Hilton canceled immediate plans for a new convention hotel in Chicago and a casino-hotel in Atlantic City, N.J., blaming depressed occupancy rates and volatile money markets.

Instead, Hilton is proceeding on more modest projects which will add by year-end 1,700 rooms to last year's base of 37,800 rooms in owned and managed properties.

In the franchise system, of 21 Hilton Inns under construction at the beginning of this year, 15 new Inns are due to open by the end of the year. Thirteen others will have been expanded, according to company plans.

Food and beverage operations, bound up with occupancy rates, are showing the strain as expenses outpace sales.

In the first quarter, food and beverage sales in owned properties rose 4% to $161.4 million but expenses rose 5% to $118.3 million.

Total sales in owned properties, which includes rooms, casino and food and beverage revenue, rose 3% in the first quarter, compared to a year ago, to $525.4 million.

For the year-ended Dec. 31, 1981, the company had total revenues of $612.7 million and net profits of $112.6 million. Both were gains of about 6% over 1980, making 1981 the worst year since huge declines in 1976.

Food and beverage sales at Hilton's owned and managed hotels in fiscal 1981 rose 6% to $369.3 million. The corporation does not tally food and beverage revenues from franchisees since royalties are based solely on rooms sales.

The Hilton system consisted at the end of last year of 17 owned hotels, averaging 1,000 rooms each; 31 managed or partly owned hotels, with about 700 rooms each, and 173 franchised Inns, which average 250 rooms each.

When Barron Hilton, chairman, president and 25%-owner of the company met stockholders recently, he griped: "What a trying year we had." This year looks to be at least as trying.

RAMADA INNS

Plunging into mid-priced lodging market with new concept

PHOENIX—Ramada Inns is still suffering financially from the delays and construction problems it encountered before it was finally able to open the doors of the Tropicana Hotel and Casino in Atlantic City.

But on other fronts company business is relatively flush despite depression in the lodging industry. The Ramada Hotel Group has enjoyed 19 straight months of occupancy growth, while occupancy in United States hotels in general has been going down for 42 straight months, according to Juergen E. Bartels, Ramada Inns executive vice president and hotel group president.

The company has announced big expansion plans including the addition to its arsenal of a new class of hotels to service midpriced markets in medium-sized cities and at airports.

Called Ramada Hotels, the new units will fit between the Ramada Inns and semiluxury Ramada Renaissance properties. Plans call for 50 Ramada Hotels by the middle of next year and a total of 110 by the end of 1985.

The new hotel classification will give Ramada three distinct room rate ranges in many markets.

The company is also continuing its program to revamp its Ramada Inns and eliminate from the system any that don't measure up to standards. And it is moving vigorously with the Ramada Renaissance concept. Over a billion dollars has been committed to Ramada Renaissance development. Seven are operating today; 17 more are in various stages of planning or construction. By the end of 1985 the company hopes to have 42 in operation.

Ramada is also making changes in two of its three major restaurant concepts. In its Seasons, which stress unusual sandwiches, separate lunch and dinner menus were recently introduced. Four of these restaurants are open, but new units are scheduled to bring the total to 20 by year-end.

The company's Summerfield concept has also been reworked with the addition of a range of ethnic dishes, including Mexican, Oriental and Hungarian ones. A total of 21 new offerings are being made on (also new) separate lunch and dinner menus. The addition of a separate dinner menu is expected to give a considerable boost to sales. Seven Summerfields will open this year.

No major changes are planned for Ramada's limited menu Sun Blossoms.

Ramada Hotel Group profitability for fiscal 1981, ended Dec. 31, 1981, was 12% ahead of the prior year. Ramada Inns itself suffered a $30.5 million loss for the year on revenue of $415.9 million. About a third of Ramada's revenue in company-owned hotels comes from food-service sales.

As of May 31 Ramada owned or franchised 612 hotels with 95,108 rooms. The average room rate throughout the system is projected at $38.19. Occupancy is expected to average 68.3% compared to a 67.9% rate last year.

NRN FOCUS

HOTEL SEGMENT

HILTON INTERNATIONAL CO.

Cashing in on economic growth outside U.S.

NEW YORK—With four new hotels and two expansion projects this year, Hilton International plans to add 1,500 rooms, a 16% two-year gain, to last year's base of 31,800 rooms at 85 properties in 44 nations.

The wholly owned subsidiary of Trans World Corp., an airline holding company, plans new hotels at Gatwick Airport, Great Britain; Karlsruhe, West Germany; Adelaide, Australia, and a second United States property, a Vista hotel in Philadelphia. Expansions are slated for Cyprus and Kuwait.

The first Vista opened last year at the World Trade Center in New York. A third Vista is due to open in mid-1983 in Washington, D.C., but the deal for a Vista in Kansas City, Mo., now a 2½-year-old plan, has reportedly yet to be finalized.

Hilton International became a separate company from Hilton Hotels in 1964 and three years later was taken over by TWA. It cannot use the trademark Hilton name in the United States, hence Vista, but the two companies share reservation systems. Hilton International is by far healthier than its United States-bound sibling.

With growth projections of the worldwide economy showing strength in diversity, it figures again this year to be the star profit center of Trans World, which, in addition to the beleaguered airline, owns Spartan Food Systems, a 242-unit Hardee's franchisee and developer of the 99-unit Quincy's budget steakhouse chain, Canteen Corp., a contract feeder, and Century 21, a real estate agency chain.

HILTON INTERNATIONAL CO.

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Operating Revenues Food and Beverage (Millions)	$248.5	$276.6	$303.0	$325.0
Rooms (Millions)	$236.2	$271.1	$293.0	$310.0
Other Depts. (Millions)	$53.2	$58.7	$63.0	$67.0
Management Fees (Millions)	$18.4	$21.9	$25.2	$29.0
Total Revenues (Millions)	$556.3	$628.3	$684.2	$731.0
Operating Profit (Millions)	$55.5	$65.8	$73.4	
Number Of Hotels	78	79	85	89
Number Of Rooms	28,521	28,837	31,811	33,350
Occupancy Rate	75%	73%	71%	

Source: NRN research

*Projected

Trans World Corp. reported that its wholly owned subsidiary Hilton International Co. had operating expenses of $161.2 million on operating revenues of $176.1 million for the first quarter ended March 31, 1982. Occupancy rates in the period slid two points to 67% compared to the prior year period. Average room rates rose about 6% from the year-ago quarter.

While Spartan is scoring solid growth, Canteen, Century 21 and TWA are feeling the pinch of the recession.

Hilton International had $73.4 million in operating profit on $684.2 million in revenue for the fiscal year ended Dec. 31, 1981.

Hilton International executives are basing their growth plans on data from the 11-nation Organization for Economic Cooperation and Development which shows that the major industrial economies—with the notable exception of the United States—are due for real growth, single-digit inflation, and interest rate declines.

Food and beverage figures are riding the crest of the growth wave.

In hotel properties, food and beverage sales last year rose 10% to $303 million. This is more than two-fifths of total revenues.

In addition, sales from food service and food-related retailing at Inhilco, a Hilton International subsidiary which operates concessions and the Windows on the World restaurant at the World Trade Center, totaled $166.2 million last year, a 10% increase over 1980.

Companywide, Trans World reported for fiscal 1981 $61.6 million in net profit, a 9% drop from 1980, and $5.3 billion in revenue, a 6% gain from 1980.

By business segments, the airline last year had $30.6 million of operating profit on $3.5 billion in revenue. Spartan had $30.3 million of operating profit on $243.4 million in revenue. Canteen had $22.1 million operating profit on $790.4 million revenue.

WESTIN HOTELS

Developing new properties both foreign and domestic

SEATTLE—Westin Hotels is developing commercial and resort hotels in major foreign and domestic cities, paying particular attention to projects in the Far East and Mexico.

By the end of this year, the wholly owned subsidiary of UAL Inc., United Airlines' parent, will have opened major additions to its hotels in Johannesburg, South Africa, Phoenix and Seattle. The first phase of a resort complex in Vail, Colo., will open in time for next winter's ski season.

Westin, which changed its name from Western International last year, will open hotels in Boston, Dallas, Ottawa and Tijuana, Mexico, in 1983, as part of a six-year plan to add 23 hotels to its system by 1985.

Westin owns and operates 46 hotels through a mixture of ownership arrangements and management contracts. A little more than 50% of its hotel rooms are in properties in which Westin has equity. The company manages 11 hotels with 5,952 rooms; leases and manages six hotels with 3,164 rooms, and is involved in joint ventures at four hotels with 2,665 rooms. There are close to 25,000 rooms in the Westin system.

Varied Arrangements

Up until the first quarter of this year, Westin had weathered the recession fairly well and was the only one of three UAL Inc. subsidiaries to show a profit in 1981. Net income was up 12% to $35.4 million on a 7% rise in operating revenues to $454.3 million.

Occupancy Rate Erodes

Occupancy dipped more than three percentage points to 77% last year, well above the industry average; the earnings increase was attributed to higher revenues, cost controls and improved profitability from newer hotels, a spokesman said.

Westin's occupancy rate eroded even further in the first three months of this year, however, and net profit dipped to $2.3 million from $7.1 million in 1981's first quarter on hotel operating revenues of $112.1 million.

The decline in net earnings was "principally the result of the recession and a substantial swing in foreign currency translations," according to a company statement.

Most Westin properties offer 24-hour room service and several restaurants and lounges and in the past few years food and beverage sales have accounted for about 45% of total sales. Food and beverage sales in 1981 rose to $435.1 million from $374 million the year before.

Operating revenues of $454.3 million in 1981 were from those properties in which UAL Inc. or Westin have 51% or larger equity or leasehold interest; management fees or an interest in joint ventures. Total operating revenues for all hotels owned or managed by Westin were $967 million.

Perhaps Westin's most prestigious property is The Plaza, a New York City landmark hotel. Westin also operates the world's tallest hotel, the cylindrical, 72-story Peachtree Plaza convention hotel in Atlanta. A scene from Burt Reynold's recent movie, "Sharkey's Machine," showed someone plummeting out an upper floor window of the Peachtree Plaza. Scenes from many movies, most recently "Arthur," were filmed in and around the Plaza in Manhattan.

Harry Mullikin is chairman and chief executive of Westin Hotels. C. R. Lindquist is president.

WESTIN HOTELS

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Systemwide Hotel Operating Revenues + (Millions)	$750	$850	$967	$950
Consolidated Hotel Operating Revenues + (Millions)	$383.7	$425.9	$454.3	$450
Earnings from Operations (Millions)	$63.7	$72.5	$74.6	$73
Net Profit (Millions) +	N/A	$31.4	$35.4	
Total Food and Beverage Sales (Millions)	$345	$374	$435.1	$225
Total Number of Hotels	52	55	46	47
Occupancy Rate	81.3%	80.4%	77%	76%

Source: NRN research

*Projected

+ Westin Hotels has a variety of interests in its hotel properties through equity arrangements, leasehold arrangements, joint ventures, and management contracts. Systemwide hotel operating revenues represent revenues from all Westin hotels, owned and managed. Consolidated operating revenues are revenues from managed properties only. Net profit includes management fees and fees from hotels Westin solely represents.

In the first quarter ended late March, net earnings were $2.3 million on total operating revenues of $112.1 million.

NRN FOCUS

Top 100 Chains by Sales Volume

Sales Rank	Company (Headquarters State)	Types of Food-Service Chains	Estimated Total Food-Service Sales All Units Current Fiscal Year (Millions)	Total Sales Latest Fiscal Year (Millions)	Total Sales Previous Fiscal Year (Millions)	Number Units End of Latest Fiscal Year	Number Units End of Previous Fiscal Year	Estimated Number of New Units Current Fiscal Year	Current Estimated Average Per Unit Annual Sales (000)
1.	**McDonald's (Ill.)**	F-BU	$7,800	$7,100	$6,200	6,739	6,263	500	$1,200
2.	**Burger King (Fla.)**	F-BU	2,600	2,350	2,100	3,255	3,022	245	800
3.	**KFC (Ky.)**	F-CH, SE, M	2,600	2,400	2,100	6,304	6,242	95	425
4.	**Marriott (D.C.)† (includes all Big Boys)**	CF, CS, DI F-BU, HO	2,000	1,600	1,050	1,800	1,580	125	600
5.	**ARA (Pa.)**	CF, DI	1,800	1,600	1,485	2,000	1,750	95	850
6.	**Wendy's (Ohio)**	F-BU	1,700	1,400	1,200	2,229	2,034	170	720
7.	**Holiday Inns (Tenn.) (includes all food service at units)**	HO, DI, CS	1,620	1,500	1,400	1,800	1,755	50	840
8.	**Hardee's (N.C.)** (includes Burger Chef)**	F-BU	1,400	1,140	922	1,465	1,304	700	733
9.	**Pizza Hut (Kan.)**	F-PI	1,300	1,150	1,025	4,300	4,250	200	315
10.	**IDQ (Minn.)**	F-I, BU	1,238	1,125	1,019	4,805	4,833	5	275
11.	**Denny's (Calif.)**	CS; DO	1,050	849	725	1,680	1,575	70	735
12.	**Saga (Calif.)**	CF, DI, ST, PI	990	899	819	835	824	15	700
13.	**Sheraton (Mass.)**	HO	940	840	735	1,138	1,095	42	725
14.	**Canteen (Ill.)**	CF	800	790	756	850	820	45	685
15.	**Red Lobster (Fla.)**	SE	750	625	505	330	291	35	2,100
16.	**Shoney's (Tenn.)** (includes Famous Recipe)**	CS, F-SE, CH, DI	700	572	515	728	683	100	1,100
17.	**Howard Johnson (Mass.)**	HO, CF, CS, DI	690	640	600	1,140	1,100	35	590
18.	**Arby's (Ga.)**	F-R	591	527	477	1,144	1,053	105	472
19.	**Taco Bell (Calif.)**	F-T	590	535	460	1,350	1,270	75	440
20.	**Church's (Tex.)**	F-CH, BU	560	512	466	1,065	1,000	70	500
21.	**Hyatt (Ill.)**	HO	550	410	350	62	56	8	5,500
22.	**Jerrico (Ky.)**	F-SE, CS	545	508	465	1,150	1,100	60	470
23.	**Hilton Hotels (Calif.)**	HO	535	525	512	221	209	17	800
24.	**Servomation (Conn.)**	CF	533	508	494	1,025	1,010	26	535
25.	**Ponderosa (Ohio)**	FS, M	532	510	487	698	681	40	715
26.	**Jack-in-the-Box (Calif.)**	F-BU	495	455	415	795	803	5	618
27.	**Western Sizzlin (Ga.)**	FS	450	410	375	590	550	35	740
28.	**Collins (Calif.)***	FS, F-CH	440	410	386	740	709	24	725
29.	**Ramada Inns (Ariz.)**	HO	430	400	368	675	635	43	800
30.	**Dunkin' Donuts (Mass.)**	DO	425	370	312	1,100	1,035	75	385
31.	**Chart House (La.)***	F-BU, SI, SE, DI, M	405	354	312	498	477	17	1,400
32.	**Bonanza (Tex.)**	FS	400	376	350	695	680	30	625
33.	**Host Int'l (Calif.)**	CF, CS, DI	400	375	357	205	185	30	2,000
34.	**Interstate United (Ill.)**	CF	395	374	361	1,100	1,060	40	365
35.	**Morrison (Ala.)**	CA, CF	380	352	321	477	419	40	1,600
36.	**Steak & Ale, Bennigan's (Tex.)**	DI	375	295	240	300	262	45	1,400
37.	**Friendly (Mass.)**	CS	350	320	274	626	630	9	430
38.	**K mart (Mich.)**	ISF, F	345	325	300	1,860	1,752	110	200
39.	**Far West (Calif.)**	DI, ST, CS	330	225	200	329	220	22	900
40.	**Hilton Int'l (N.Y.)**	HO	325	303	277	85	79	4	2,850
41.	**Dobbs Houses (Tenn.)**	CF, CS	310	302	287	550	540	25	600
42.	**Godfather's (Neb.)**	F-PI	310	236	133	636	394	190	600
43.	**IHOP (Calif.)**	CS	310	300	272	570	560	0	525
44.	**Spartan Food (S.C.)***	F-BU, FS	296	243	196	341	303	45	756
45.	**Domino's (Mich.)**	F-PI	286	179	110	582	399	200	338
46.	**Sonic (Okla.)**	F-BU	285	284	279	1,046	1,123	0	258
47.	**Perkins (Minn.)**	CS	280	265	241	343	375	15	772
48.	**Mr. Donut (Minn.)**	DO	275	230	195	925	875	45	300
49.	**Greyhound Food (Ariz.)***	CF, CS, F-BU	265	255	240	420	400	25	630
50.	**Sambo's (Calif.)**	CS	265	420	500	668	1,118	0	400
51.	**Stouffer's (Ohio)**	DI, CS, HO, CF	265	245	220	124	110	15	1,975
52.	**Baskin-Robbins (Calif.)**	F-I	250	240	225	2,625	2,621	5	105

NRN FOCUS

Top 100 Chains by Sales Volume

Sales Rank	Company (Headquarters State)	Types of Food-Service Chains	Estimated Total Food-Service Sales All Units Current Fiscal Year (Millions)	Total Sales Latest Fiscal Year (Millions)	Total Sales Previous Fiscal Year (Millions)	Number Units End of Latest Fiscal Year	Number Units End of Previous Fiscal Year	Estimated Number of New Units Current Fiscal Year	Current Estimated Average Per Unit Annual Sales (000)
53.	**Ogden Foods (Mass.)**	CF, F	250	216	175	1,500	1,420	65	125
54.	**Sky Chefs (Tex.)**	CF	250	229	201	53	50	2	2,100
55.	**United Airlines (Ill.)**	AIR	245	230	220	24	21	2	10,000
56.	**Carl Karcher's (Calif.)**	F-BU	240	201	172	309	285	36	735
57.	**Pizza Inn (Tex.)**	F-PI	240	223	201	731	747	40	345
58.	**Woolworth (N.Y.)**	ISF	240	235	218	1,460	1,425	30	170
59.	**Westin (Wash.)**	HO	225	200	185	46	45	1	4,600
60.	**Service Systems** (includes Stouffer's Mgt.)**	CF	221	185	165	1,156	1,109	145	145
61.	**Macke (Md.)**	CF	210	201	208	2,815	2,790	32	110
62.	**A&W (Calif.)**	F-BU	200	215	225	1,100	1,200	0	200
63.	**Bob's Big Boy (Calif.)† (company-owned only)**	CS	200	170	150	195	180	18	1,040
64.	**Popeyes (La.)**	F-CH	185	142	113	275	257	80	625
65.	**White Castle (Ohio)**	F-BU	184	172	156	162	159	4	1,100
66.	**Disney (Calif.)**	A	180	160	147	96	91	0	1,700
67.	**Seiler (Mass.)**	CF	175	155	140	700	680	26	235
68.	**Frisch's (Ohio)†**	CS, DI	170	160	152	234	233	6	710
69.	**Mr. Steak (Colo.)**	FS	170	163	155	275	268	5	625
70.	**Victoria Station (Calif.)**	DI	170	160	141	100	100	2	1,500
71.	**York (Ohio)**	FS	168	145	120	160	135	22	900
72.	**Country Kitchen (Minn.)**	CS	165	185	177	285	320	0	550
73.	**Custom Mgt. (Pa.)**	CF	165	130	100	345	300	38	350
74.	**Sportservice (N.Y.)**	CF	165	150	135	2,100	2,020	75	85
75.	**Shakey's (Tex.)**	F-PI	160	157	152	460	452	9	350
76.	**Carvel (N.Y.)**	F-I	151	145	135	800	785	23	200
77.	**Krystal (Tenn.)**	F-BU	150	139	120	210	204	8	700
78.	**Wyatt (Tex.)**	CA	150	137	118	104	102	5	1,430
79.	**Tastee Freez (Mo.)**	F-I, BU	149	134	117	108	102	7	1,400
80.	**Mannings (Calif.)**	CA	148	144	137	332	325	8	440
81.	**Stuckey's (Ga.)**	F, CA	147	140	132	298	287	9	475
82.	**Pizza Time (Calif.)**	F-PI	145	55	15	88	25	63	1,800
83.	**Western Steer (N.C.)**	FS	145	136	128	167	142	25	846
84.	**Furr's (Tex.)**	CA	144	120	112	86	79	25	1,500
85.	**Piccadilly (La.)**	CA	142	127	115	81	79	8	1,670
86.	**Whataburger (Tex.)**	F-BU	142	129	118	300	280	18	465
87.	**Luby's (Tex.)**	CA	140	119	99	59	56	5	2,250
88.	**Marie Callender (Calif.)**	CS, DI	140	125	110	91	89	3	1,450
89.	**Rax (Ohio)**	F-R	140	120	96	210	196	40	600
90.	**Szabo (Ill.)**	CF	140	133	126	470	462	10	320
91.	**Village Inn (Colo.)**	CS	140	117	103	170	163	18	780
92.	**Gilbert/Robinson (Mo.)**	DI	135	112	86	63	57	5	2,100
93.	**TGI Friday's (Tex.)**	DI	135	100	80	46	40	7	2,500
94.	**Chi-Chi's (Okla.)**	M	132	95	40	54	24	11	2,000
95.	**Waffle Houses (Ga.)**	CS	131	114	102	414	401	13	311
96.	**Golden Corral (N.C.)**	FS	131	108	81	188	151	45	1,000
97.	**Sirloin Stockade (Okla.)**	FS	130	115	102	215	208	0	550
98.	**Walgreen (Ill.)**	ISF, CS	130	107	90	243	220	15	520
99.	**Wienerschnitzel (Calif.)**	F-HD	130	115	105	350	329	20	365
100.	**Sears (Ill.)**	ISF	127	110	103	465	445	18	245
	Industry Totals		**$50.7 Billion +12.9%**	**$44.9 Billion +13.1%**	**$39.7 Billion**	**85,550 +4.1%**	**82,220**	**5,010 +5.9%**	

Source: *Nation's Restaurant News* Research

KEY TO THIRD COLUMN

AIR	Airline Feeder	HO	Hotels
A	Amusement Feeder	I	Ice Cream
BU	Burgers	ISF	In-Store Feeders
CA	Cafeterias	M	Mexican
CF	Contract Feeders	PA	Pancakes
CH	Chicken	PI	Pizza
CS	Coffee Shops	R	Roast Beef
DI	Dinnerhouses	SE	Seafood
DO	Doughnuts	SM	Smorgasbord
F	Fast Food	ST	Steakhouses
FS	Family Steakhouses	T	Tacos
HD	Hotdogs		

***Franchisees which also have their own chains are included in the top 100 volume chart if they qualify. These franchisees—Collins Foods (KFC), Chart House (Burger King), Greyhound (Burger King) and Spartan Foods (Hardee's)—have their total sales and total number of units listed, but their duplicate franchise volumes and units have been factored out of the top 100 totals.**

†The some $1 billion annual sales of the 21 Big Boy groups are included in the totals of Marriott, which owns the master franchisor, Bob's Big Boys. Only Bob's company units are included under Bob's Big Boys. Meanwhile, Frisch's Big Boy units have been factored out of the grand totals as a duplication of the Marriott totals.

****Total volumes and units are restated for each year to reflect an acquisition.**

NRN FOCUS

BUDGET STEAKHOUSE SEGMENT

Decline in the older cities, prosperity in the Sunbelt

By Donald Frazier

Geography—not concept—emerged during the last year as the crucial factor separating the winners from the strugglers in the budget steakhouse segment.

Large chains such as Ponderosa, Sizzler and Bonanza continued to depart from the original budget steakhouse formula in an effort to broaden their appeal and fend off the recession that has hit the country's industrial economy with full force.

Meanwhile, several small companies such as Golden Corral and Western Steer are prospering with the same old-fashioned concept—meat and potatoes, and few frills—the leaders are abandoning.

What gives? Location.

The leaders' units tend to be concentrated in the residential areas of older cities. Their customers have historically been the blue-collar workers for heavy industries.

With mass layoffs, plant closings and drastic cutbacks in Government assistance affecting these areas, it's no wonder that the leaders are rolling out a plethora of diversification schemes and broadening their many lines to include poultry and fish.

But the smaller companies, which tend to be newer, leaner and privately held, don't have to worry about any of that. They're in the Sunbelt.

Operators such as Western Sizzlin' and Western Steer have found the region's high disposable income and relative economic health—coupled with strongly traditional dining preferences—have protected their restaurants from the ills afflicting their Northern counterparts.

Golden Corral in particular has exploited cunning site selection. The 190-unit North Carolina-based chain places its units in rural towns in the Southeast, where they draw a cross section of the populace, not just one segment of it.

This strategy—plus a unique management incentive program—has enabled Golden Corral to move into new areas of the West with the acquisition of the Oklahoma-based Sirloin Stockade chain of budget steakhouses and the construction of new units in places like Utah, setting the stage for it to become a national chain in a few years.

Thus, the frantic repositioning drive among the leaders. Bonanza's new People's spinoff company. Ponderosa's new Mexican dinnerhouse division. And, for both, a pullback from exclusively blue-collar areas with their unemployed customers and their undercapitalized franchisees, and a shift of resources to markets with a more diverse demographic mix.

PONDEROSA

New strategy targets more diversification

DAYTON, Ohio—The leader of the budget steakhouse segment is joining the increasingly crowded Mexican dinnerhouse market with the conversion of three units to the newly acquired Casa Lupita concept.

The three restaurants, including two near Ponderosa's home office here and a third in Fort Myers, Fla., are the pilot units of a broad-based diversification scheme which occupies a central place in the company's long-term strategy.

The conversions will reportedly cost the company about $500,000 per unit. The renovated restaurants will reflect a Mexican dinnerhouse concept bought from a three-unit Seattle company earlier this year.

The development of the trendy, somewhat-upscale, Casa Lupita chain signals management's hope to soften the impact of economic downturns on the company. Events such as the current recession fall with disproportionate severity upon Midwestern blue-collar workers, and thus on the company's 691-unit steakhouse division.

But the future of the new concept hinges upon the fortunes of these steakhouses. Before Ponderosa can go ahead with its plans to convert as many as 50 of its less-profitable steakhouses to the new concept, its steakhouses must churn out dollars.

They showed signs of doing so in fiscal 1982. After a sharp drop in profitability in 1981, the company recovered to post an $8.4 million profit on a 6% rise in sales to $516.6 million compared with the previous year.

Gerald Office Jr.
chairman and ceo

The company achieved these results despite the heavy use of coupon promotions, a low-priced 'Value Meal' program in many of its most depressed markets, a marked reluctance to raise prices and, most importantly, one of the harshest Midwestern winters in memory.

The year also saw the emergence of a downscaling price strategy in the company's heartland markets. In these areas Ponderosa sought during 1982 to decrease its check average to about $3.40.

This measure was aimed at bringing the steakhouses into price competition with the burger chains, whose check average continued to rise during the year.

(Continued on page 139)

COLLINS FOODS INC.

Upgrading of Sizzler units produces positive results

LOS ANGELES—Collins Foods is entering fiscal 1983 confident that changes in its budget steakhouse and fast-food divisions are on point.

The numbers justify corporate enthusiasm: customer counts in fiscal 1982 (ended April 30) were the highest in years, check averages were up and additional gains in both categories were recorded in May and June, said Richard Bermingham, president and chief operating officer.

Average unit volumes at company-owned Sizzler restaurants are a bit over $800,000, on the high end for budget steakhouses, and check averages are close to $5.50 per person.

Collins Foods owns and operates 133 Sizzlers, franchises 316 and is one of the largest Kentucky Fried Chicken franchisees, with 236 units. The highest concentration of Collins Sizzlers and KFC units is in California.

No significant unit expansion is planned for 1983 in any of the divisions. Collins will open about six KFC units and two or three Sizzlers. Franchisees will open about 10 Sizzler units. A five-year unit enhancement program, costing between $13 million and $15 million per year, is continuing.

With net income off in 1981, Collins Foods started closing some subpar Sizzler restaurants and, in Bermingham's words, started "aggressively looking for other concepts" in anticipation of a dropoff in popularity in the budget steakhouse segment.

"Problems we expected didn't come up, many of our franchisees are healthier, our company stores are healthier" so no changes in direction were made, Bermingham explained. "We're still looking; we have a couple of pilot programs on the drawing board but it's too early to tell."

Store sales, customer counts and check averages were boosted in 1982 when Sizzler repositioned itself for white-collar business rather than its traditional blue-collar market.

Units were remodeled, higher quality meat was used, customer service was improved, and fresh salad and fruit bars were added, Bermingham said. In addition, there were several successful promotions, including all-you-can-eat nights featuring ribs or steak and shrimp at special prices.

(Continued on page 139)

COLLINS FOODS INC.

Fiscal Year Ended April 30

	1980	1981	1982	Current Fiscal Year*
Systemwide Sales (Millions)	$340.0	$386.1	$426.0	$481.0
Revenues (Millions)	$236.5	$265.2	$299.4	$336.0
Net Income (Millions)	$8.0	$7.4	$9.6	
Average Unit Sales				
KFC	$352,000	$391,000	$436,000	$484,000
Sizzler (company)	$690,000	$708,000	$800,000+	$875,000
Sizzler (franchise)	$570,000	$602,400	$690,000+	$740,000
Number of Units				
KFC	230	231	236	242
Sizzler (company)	128	137	133	135
Sizzler (franchise)	324	341	316	326
Total	682	709	685	703
Per Person Check Averages				
Sizzler (company)		$4.95	$5.44	

Source: NRN research

*Projected

+ Estimates

Collins did not raise Sizzler menu prices systemwide during fiscal 1982; there were some increases in certain markets.

Collins Foods is a major franchisee of Kentucky Fried Chicken. The company operates and licenses its Sizzler steakhouses. Collins Foods also owns and operates a food-service distribution division.

NRN FOCUS

BUDGET STEAK SEGMENT

PONDEROSA

Fiscal Year Ended Feb. 25, 1982

	1980	1981	1982	Current Fiscal Year*
Systemwide Sales (Millions)	$481.5	$487.1	$516.6	$550.0
Revenues (Where Different From Sales) (Millions)	$328.4	$334.0	$360.4	$385.0
Net Profit (Millions)	$13.4	$2.5	$8.4	
Average Store Sales	$707,000	$698,000	$747,000	$795,000
Average Check Per Person	$3.95	$3.85	$3.45	$3.50
Number of Units	681	698	691	690

Source: NRN research

*Projected

Ponderosa reportedly raised prices by about 1.5% during fiscal 1982.

The company recently revealed first half results for fiscal 1983: sales up 5.4% to $88.2 million and net profit down 10% to $2.1 million.

PONDEROSA

New strategy is designed to attract more customers

(Continued from page 132)

The company hopes the pricing strategy could reclaim many of the customers it and other budget steakhouses lost when the price of utility-grade meat—once the mainstay of the Ponderosa menu—began to rise several years ago.

To bring this about, management has moved ahead with the physical renovation of the 230-plus company-owned stores in the system, even while reducing capital expenditures from a planned $52 million to a much leaner $20 million.

Ponderosa's development department perfected a new steakhouse design during the year. The "Concept 80" building involves a much plusher ambiance than that of the older rough-hewn building, box-like on the outside and no-frills cafeteria-style on the inside.

This move was meshed with management's growing sentiment during the last year that Ponderosa should gradually upscale its image and its product line to escape the 'bargain-basement' market position that has caused hard times for many budget steakhouse companies in recent years.

Part of this campaign is menu development. Ponderosa has continued to roll out nonmeat entrees such as fish, and has upgraded the quality of its line of red meat items. It still serves highly tenderized cheap grades of beef, but has augmented these items with T-bone steaks and a line of prime rib platters.

Ponderosa opened a new meat cutting and packing facility during the year in a move with two objectives: one, the improvement of meat quality and portion control; two, the development of a profitable side business in meat distribution to help fund the upgrading of the steakhouse system.

But the new Mexican dinnerhouse division, under the leadership of former Rax Systems head Edwin Ourant, has captured much of the company's impetus for development.

With a high liquor sales ratio, a low food cost, a high tableturn, a popular new image and a proven appeal for the blue collar market, the Mexican dinnerhouse segment has entered the Midwest with striking intensity, involving companies such as Chi-Chi's, Garcia's of Scottsdale, Cisco's, Casa Gallardo and El Torito and many others.

The already proven Casa Lupita service system and menu has assuaged many doubts at the Ponderosa home office about the diversification scheme. But many questions remain as the concept comes into its own in the next year.

The major one, according to one company source, is this: with all of the virtually identical Mexican-style concepts flooding the market, what will the latecomer do to make itself different and survive the widely feared shakeout?

COLLINS

Upgrading units, training receive company's attention

(Continued from page 132)

Hours were expanded at some units and breakfast is in test in several stores. There was also more emphasis placed on training.

Salad bars, which are in many units in the West, "have done a helluva lot for employee morale and for the bottom line," Bermingham said.

Collins' KFC units, which are enjoying volume well in excess of the average franchised KFC sales ($436,000 vs. $350,000) will participate in testing of new KFC menu items beginning this month. Those items include biscuits, spicy chicken, collard greens and spicy rice.

The size of Sizzler has shrunk by about 25 units since the end of fiscal 1981, although sales and net income are up. In fiscal 1982, Collins Foods reported a 31.5% gain in net income to $9.6 million on revenue of $299.4 million. Systemwide sales were $426 million, up 12.7% from the year earlier.

James A. Collins is chairman and chief executive of Collins Foods Inc. Bermingham is president and chief operating officer. Thomas Gregory is corporate vice president and president of Sizzler and Timothy Brandon is corporate vice president and general manager of the food-service division.

GOLDEN CORRAL

Success breeds further expansion for North Carolina-based firm

RALEIGH, N.C.—Having bitten off a large hunk of new geography with its recent purchase of the 193-unit Sirloin Stockade, Golden Corral officers expect to spend a lot of time digesting that sizable morsel.

Golden Corral executives have hinted the former Lucky Stores property was undervalued and characterized it as a turnaround opportunity.

To head up the effort, Golden Corral named its executive vice president and a co-founder, William F. Carl, chief executive officer of Sirloin Stockade.

Back at the ranch, the company promoted Theodore M. Fowler Jr. from vice president and general manager of restaurant operations to Golden Corral president.

During the past year the holding company that owns Golden Corral also purchased six North Carolina units of the OH!Brian's tablecloth barbecue restaurant chain.

Company officers expect the number of Golden Corrals to increase this year to 244 from 184 at the end of last year.

The chain's success is credited partly to its concept of partner-managers in stores. A manager invests $20,000 in the system (with financial help from the company), and then earns a basic salary from Golden Corral plus 20% of the profits from his unit. This has resulted in a low turnover rate of managers (about 20%), according to the company. Golden Corral says it has no plans to introduce the concept in its Sirloin Stockade units.

Average annual unit sales were $650,000 last year, up from $537,000 the previous year.

Wayman O. Leftwich, senior vice president, says the company expects to continue its growth in markets it currently operates in. Most units are concentrated in the Southeast. The Sirloin Stockade chain is based in Oklahoma and most units are in the Southwest.

BONANZA

Reduction of debt burden affects chain's profits

DALLAS—In a move meant to spruce up its image in the financial markets, 630-unit budget steakhouse chain Bonanza recently paid off millions of dollars in long-term debt.

This action reduced Bonanza's debt burden from more than $10 million to $1.8 million over the last year, according to John Boylan, the new president of the entirely franchised system.

But it also helped cause what he characterized as "a very difficult year," in which Bonanza suffered a loss of about $15 million and more than 8% of its restaurants.

About 85% of fiscal 1981's loss, Boylan said, came from write-offs associated with closing weaker restaurants in the system. Although the chain added 20 new units during the year it closed 78 others.

Its newly strengthened financial position should help Bonanza finance the next stages of its Freshtasticks program. The scheme, an all-you-can-eat food bar involving a design package and a general upgrading of menu quality, is now installed in about 350 Bonanza restaurants. Boylan hopes the program will be in as many as 400 stores by the end of September.

The Freshtasticks concept, Boylan said, has hiked customer counts by about 15% and sales by about 26% where it has been introduced. Much of this gain occurred during the lunch hours where the expanded menu apparently attracts women and lower-echelon white-collar workers, two groups who have played a small part in Bonanza's plan in the past.

But the company may face difficulty in further implementing the concept. Many of the unconverted stores in the system are in areas such as Ohio, where franchisees and customers are both reeling from the recession. Others are in healthy Sunbelt markets such as Denver, where the original concept is still viable.

Much of the impetus toward innovation at Bonanza has been shifted to its new People's casual-theme concept (see related story). The People's division during the last year became an independent public company retaining close ties to its parent. Boylan became Bonanza president when previous president Don Thomson left to take the reins at People's.

The results of last year's plan to link new store royalties to the prime

(Continued on page 142)

NRN FOCUS

CONTRACT FEEDERS

Recession forces companies to diversify into other areas

By Roman Czajkowsky

Food-service contract management companies continue to diversify their portfolio of accounts as a hedge against cyclical pressures on industrial manufacturing, the traditional mainstay of most contract feeders.

The recession has been felt in varying degrees throughout this segment of the food-service industry, forcing renegotiations of marginal accounts and, in some cases, employee layoffs.

In general, contract feeders are now looking to expand the number of their white collar institutional and leisure markets accounts.

That strategy is apparent at such companies as Canteen Corp., whose president, James T. McGuire, says the intent is to go "from an 'at work market' to the 'where the people are' market."

ARA, the nation's largest operator of contract food services, is looking to add institutional and in-flight accounts.

Ogden Food Service says it will concentrate on adding recreational and travel food-service contracts.

Greyhound's food-service group is gearing its efforts toward institutional contracts and is likely to expand its stable of Burger King restaurants.

Restaurants are also a major source of revenue at such companies as Saga, which now operates a total of 300 Straw Hat Pizza, Stuart Anderson's Black Angus and Velvet Turtle outlets.

One new wrinkle is being added by The Macke Company. According to a Macke official, the company is becoming "more heavily involved" in electronic games, which he termed "a form of vending."

GREYHOUND FOOD MANAGEMENT

Efforts focused on gaining new 'white-collar' accounts

PHOENIX—Greyhound Food Management is focusing its energies on a growing stable of institutional and "white collar" contract food-service accounts.

Like the rest of the contract food-service industry, GFM wants to be less dependent on such recession-prone businesses as the automotive industry.

Another priority for the future is expanding its group of franchised Burger King restaurants, now numbering 26, according to a GFM spokesman.

Burger Kings are operated by GFM's Post House division, which has virtually completed the conversion of the old Post House bus terminal restaurants into BK's and theme restaurants. As a result, future Burger Kings are likely to be free-standing units.

Truck stops will be other likely new sources of revenue, according to the spokesman. GFM currently operates on a lease-basis four such facilities in California, Texas, Kansas and Missouri, respectively.

The food-service group, a subsidiary of The Greyhound Corp., saw its net income increase 50%, to $6.5 million, in fiscal 1981. Revenue for the year were $255 million, up from $240 million the year before.

GFM also provides food service to schools and universities, convention centers and tourist facilities. This year, for example, GFM has been refurbishing facilities at the Glacier National Park in Montana, including seven hotels and motels it acquired there last year.

Early this year, Joseph K. Fassler was named GFM president and chief operating officer. He replaced Robert Nagle, who left for a job as area president of ARA Services' institutional sector.

John Teets is GFM ceo.

MARRIOTT CONTRACT FOOD SERVICES

Marketing strategy key to ending airport catering slump

WASHINGTON—Marriott's Contract Food Services Group is stepping up its marketing efforts to attract new clients as it battles increased competition abroad and the effects of the recession on its highly vulnerable domestic and foreign in-flight catering and airport terminal businesses.

Though sales rose in the first quarter ended March 26 to $146.8 million from $128.5 million in the 1981 first quarter, operating income was off slightly to $10.3 million.

Flatness was evident throughout 1981 and the slight increase in operating income to $45.5 million for the year was attributed primarily to additional units and price increases. The outlook for the rest of this year is clouded by the depressed airline industry whose fortunes have a direct impact on some of the Contract Food Services Group's businesses.

To counter the effects of inflation, Marriott has instituted a systemwide productivity improvement program; new training programs and a new computer system are designed to provide better controls on costs.

A specialized consultation service for international clients is being set up overseas and Marriott is going after new accounts, especially in the United Kingdom, Argentina and Brazil where the competitive pressures have increased in the last two years.

Contract food services have been hurt, too, by the devaluation of certain foreign currencies against a stronger United States dollar.

Despite the problems, Marriott executives are optimistic about the Contract Food Services Group. They expect a recovery in the airline industry and know the company can trade on its good reputation when seeking new contracts and renewing old ones.

The Contract Food Services Group operates more than 350 units in 19 countries. It provides in-flight feeding to more than 100 airlines from 70 flight kitchens in the United States, the Caribbean, Mexico, South America, Europe, and the Middle East.

Its food-service management division provides food and beverage service to 115 businesses and industries, 94 health care facilities and 22 colleges in public and private cafeterias

The Group also operates 14 restaurants on the New Jersey and Delaware Turnpikes, 27 airport terminal concessions such as restaurants, snack bars, cafeterias, gift shops and lounges.

The airline catering end of its business has been hurt by higher operating costs, a dropoff in airline passengers and the reduction in food service on some short-distance flights, according to the company.

Profits from airport terminal businesses and food-service management contracts have risen in recent months, mostly due to new accounts.

Marriott acquired Host International on March 3 for $148 million and will operate it as a separate subsidiary.

Host operates airport restaurants and shops and has seven airline catering kitchens. The company also operates hotels near airports in Houston; Tampa, Fla.; Sacramento, Calif., and Detroit, and owns 52 specialty restaurants in California and on the East Coast.

SKY CHEFS

Airline feeder shifts course, opens roadside restaurants

ARLINGTON, Tex.—Sky Chefs, in its first nonairline venture, has been opening restaurants along the New York State Thruway. Ten are now in operation.

Nicholas Magnis, financial vice president, said it was "still too early to tell what the long-range planning will be in that area." He said the company was expecting its biggest revenues from the venture this summer, because of increased travel.

The units, which are along the southern part of the highway, are called The Chefs, and are similar to the Howard Johnson's concept.

About 75 per cent of Sky Chefs' business is airport concessions and in-flight catering. The company is wholly owned by American Airlines.

Magnis said Federal deregulation of the airline industry has had a "slightly beneficial" effect on Sky Chefs' business because of "new customers acquired." Deregulation has meant airlines can fly to locations they were not permitted to fly to before.

Sky Chefs operates 26 catering kitchens in airlines and 18 airport concessions, in addition to the 10 highway feeders. All its business is obtained through competitive bidding. "We will be vigorously pursuing all concession agreements," Magnis said.

The company is projecting sales in excess of $250 million this fiscal year, and Magnis said, "We're on target." Revenues for fiscal 1981, ended Dec. 31, were $229 million.

BONANZA

Repositioning to hold off regional competition

(Continued from page 139)

rate have been lackluster, Boylan conceded. Although the scheme reduces royalty fees as the cost of financing rises, expansion of the chain is still considerably inhibited by the recession and its impact on the entrepreneurs who invest in budget steakhouses.

Bonanza was also hurt during 1981 and the early part of 1982 by the inroads of regional chains in the Sunbelt. Companies such as Golden Corral, Western Sizzlin' and Sirloin Stockade have captured market share in many former Bonanza markets, sometimes even taking over Bonanza locations.

The company's fortunes during the next year, Boylan said, will not depend entirely on the Freshtasticks concept or the reduction of debt. It will depend, he said, on the mettle of the company's surviving franchisees and, most of all, on a drop in interest rates and a general economic recovery in middle America.

NRN FOCUS

CONTRACT FEEDERS

ARA

Moving into new markets

PHILADELPHIA—ARA, the $3 billion contract feeding company, will move aggressively into new markets in its institutional and airline feeding segments and will finish instituting a companywide identification program in the year ahead.

While a spokesman for the company admitted that the airline industry is "flat," ARA's capacity as an airline feeder will increase. Two new flight kitchens, in Honolulu and San Francisco, are currently being built and major expansion of flight kitchens in Los Angeles, Miami and New York are currently in progress.

An increase in the number of employee, student and hospital contracts is expected.

"As the belt gets tighter and the tuition crunch gets worse," said the spokesman, "more and more schools are looking at large contract feeders as opposed to self-operation."

In the air and leisure service sector the largest area of growth is expected to be convention contracts. Because these contracts are usually 10 to 15 years long, the company cannot bid on them at anything less than decade-long intervals. Those contracts that will expire, and not newly built convention centers, will be the target of the company's marketing plans. Within the last few years ARA has captured the contracts for McCormick Place in Chicago and the Mascone Center in San Francisco as well as stadiums, race tracks and state and national parks.

In the past few years authority at ARA has been decentralized into a number of divisions. Presidents reporting to chairman William Fishman and president Joseph Neubauer are John Farquharson, Araserve; Claude Feninger, international sector; Lawrence Hill, health services sector; Joseph Kirshbaum, distributive services, and Charles D. Scudder, air, leisure and public sector.

The corporate identification program is meant to raise the visibility of the company in the eyes of the public and create a sense of membership for employees. Cosmetic alterations such as the painting of all company trucks are in process.

In order for ARA to continue growing, said the spokesman, the company felt they should make use of its presence in each market it does business in. Uniforms, signage, corporate advertising, business cards and stationery will all bear the same logo.

William Fishman
ARA chairman

SAGA CORP.

Restaurant division's profits bolster company's bottom line

MENLO PARK, Calif.—Saga Corp., reporting a 48% net profit growth for the nine months ended March 29, is poised for expansion, bolstered by widening profit margins and strong performance in its restaurant divisions.

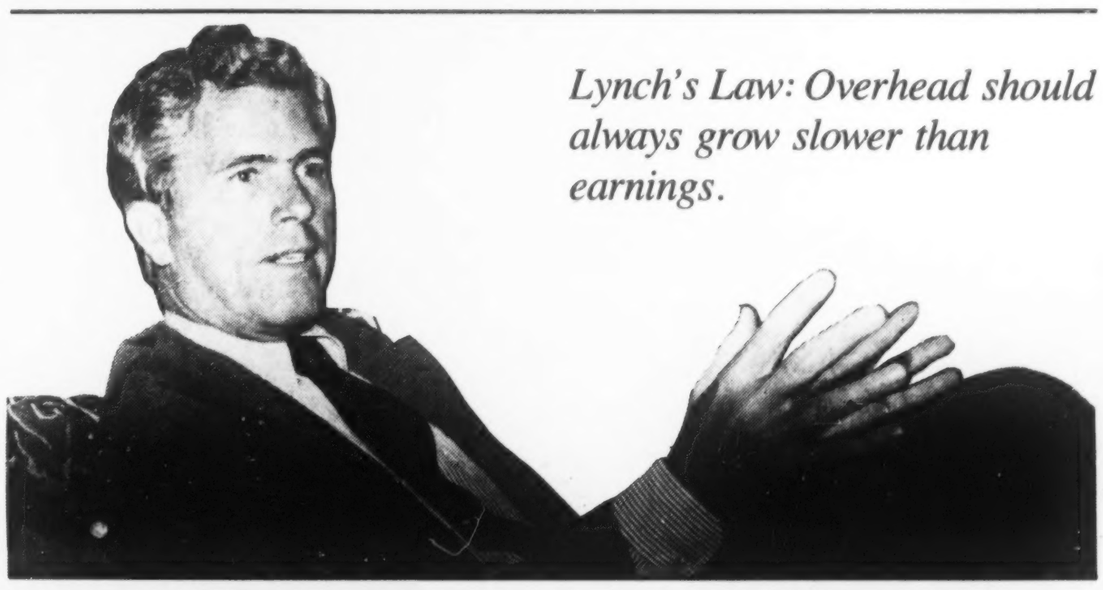
Profits through the third quarter of fiscal 1982 were $13.9 million on revenue of $673.9 million, compared to $9.4 million on revenue of $611.2 million in the first nine months of fiscal 1981. Total revenue for fiscal 1981 was $819 million.

With a revamped upper-level management team deployed by chairman and ceo Charles Lynch, Saga has set its sights on new markets for its restaurant businesses, as well as new growth vehicles outside its present food-service and contract feeding lineup.

Saga management attributes its year-to-date profit performance to greater operating efficiencies, tight asset management and moderate cost increases.

For fiscal 1982, average store sales in each of the company's restaurant segments were expected to surpass year-end 1981 figures. Saga operates 206 Straw Hat Pizza outlets, 76 Stuart Anderson's Black Angus steakhouses and 22 Velvet Turtle dinnerhouses.

At an annualized rate, average store sales through the first nine months were projected at $469,000 in the Straw Hats, $2.4 million in the Black Angus operations and $2 million in the Velvet Turtles. These figures will amount to about 30% of Saga's total revenues for the year.



Lynch's Law: Overhead should always grow slower than earnings.

Saga expects the profit yield from restaurants through the end of 1982 to match the levels attained in recent years, accounting for about two-thirds of the company's total profit picture.

Despite inherently lower profit margins, the company continues to place emphasis on contract feeding. In 1981 the company attained a net growth in the number of accounts, including something of a reverse in the formerly declining education division, which rebounded to account for about 42% of the 835 contracts serviced in the year.

Health care accounts experienced a net gain of about 15 contracts in 1981, but the number of business and industry accounts continued a slight erosion on into 1982, according to company sources, with the recession blamed for the decline.

The Seattle-based Stuart Anderson division continues to be the principal focus for expansion among Saga's restaurants. Three Black Angus outlets have opened in 1982, with four more opening up in the new Chicago market by year's end, bringing the total to 80. An additional 15 units are planned for 1983.

Two new Velvet Turtle restaurants opening in 1982 will result in a net increase in the chain of one unit, bringing the total to 23, with no further growth as yet planned for 1983. The conversion of a Velvet Turtle in Houston to the Black Angus concept accounts for the one-unit net growth.

With both the Black Angus and Velvet Turtle restaurants, the company has adopted a policy of restraint on menu price increases in an effort to hold its customer base. Totals, nonetheless, rose 12% in 1981 on the average Black Angus dinner check over the 1980 average, and 7% on Velvet Turtle dinner checks in the same period.

Recession-era pressures have forced the Velvet Turtle operation, with an average dinner check of $15.32, toward the inclusion of lower-priced entrees and early-bird specials on its menu.

The ongoing shake-out in the Straw Hat Pizza division continues in 1982 with closure of some marginal stores and the opening of 10 new franchised units. The net increase in the chain was two, for a total of 206 stores, 100 of them franchised. Emphasis for growth in Straw Hat will continue to be on franchise sales.

Straw Hat unveiled a few new wrinkles in its game plan for 1982, instituting a home-delivery service and rolling out a new taco salad and a brownie dessert.

Strategic planning for future marketing of the Straw Hat concept has management looking at new options in store format and configuration. A smaller, freestanding design may be the end result.

Charles Lynch's elevation to chairman in January left the Saga presidency open. Lynch later formed a three-man office of the president occupied by executive vice presidents James Morrel, chief operating officer; Jeffrey Henley, chief financial officer, and Carl Randall, responsible for administration, human resources, development and acquisitions.

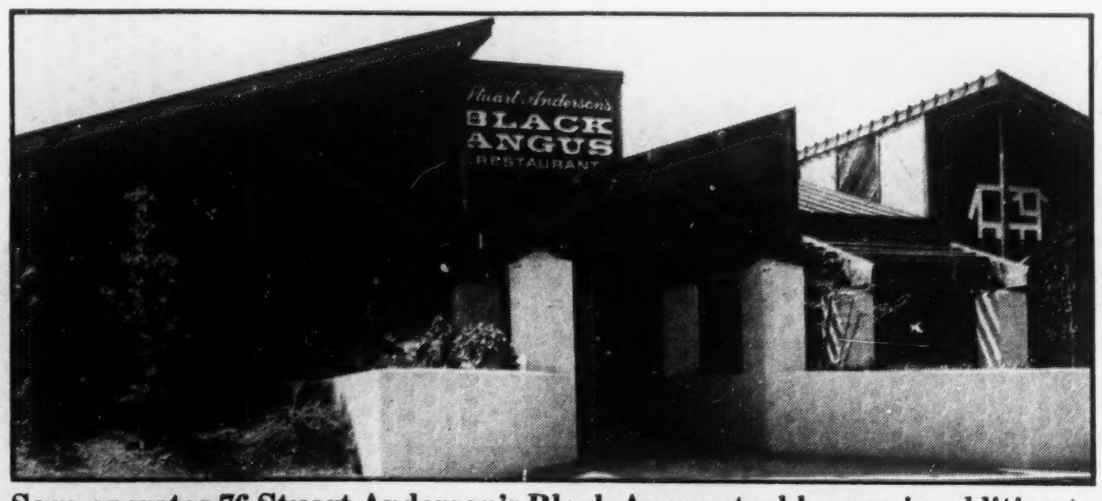
The move effectively submerged the influence of John G. Hollingsworth, former chief marketing and administrative officer who was assigned to "special projects."

Randall, along with the other two members of the tripartite presidency, was charged with maintaining adherence to "Lynch's Law": Overhead should always grow slower than earnings.

Lynch invoked the law in 1979 to start the company's turnaround from a year when overhead had risen "out of control" and net profits slipped to $1.5 million.

"Lynch's Law extends to three basic concepts: cost management, overhead restraint, and at all times providing what the consumer wants," Randall said.

Within that framework, he explained, Saga continues to work toward expanding its market share and scope of activities, both "within and outside of our portfolio."



Saga operates 76 Stuart Anderson's Black Angus steakhouses in addition to its other holdings.

NRN FOCUS

CONTRACT FEEDERS

CANTEEN

Fiscal Year Ended Dec. 31

	1979	1980	1981	Current Fiscal Year*
Revenues (Millions)	$689.8	$756.5	$790.4	$800.0
Operating Profit (Millions)	$27.0	$21.2	$21.9	$23.0
Number of Accounts	750	820	850	920

Source: NRN research

*Projected

CANTEEN CORP.

Demographic changes spur shift to diverse markets

CHICAGO—Canteen Corp. will seek to diversify into a more balanced mix of accounts to lessen its dependence on blue-collar industrial accounts that are subject to recessionary fluctuations.

Among the prime targets are non-industrial commercial accounts, governmental office complexes, health care facilities, educational institutions and leisure markets. The contract food management company, a wholly owned subsidiary of Trans World Corporation, is also expressly targeting the South for future growth.

"We're going from an 'at work market' to the 'where the people are' market," explained James T. McGuire, a veteran Canteen official who was named its president and chief executive officer late last year. McGuire replaced Howard C. Miller.

Canteen is also changing some of its service concepts within its food and vending division, which accounts for 65% of the company's annual revenues. For example, Canteen is expanding its Gullivers "deli" concept in commercial offices. The primarily self-serve concept, which produces labor savings, should be in place in about 20 locations by year's end, up from the four trial outlets opened last year.

Meanwhile, Canteen continues to expand a "By the ounce" program, which permits customers to serve themselves from a broad menu and pay according to what and how much they select. In line with recent food trends, emphasis is also being placed on merchandising foods' perceived nutritional values, according to McGuire.

To improve its bottom line performance, Canteen has trimmed personnel, and periodically renegotiates unfavorable contracts, McGuire added.

'We're going from an at work market to the where the people are market.'

—James T. McGuire, president, ceo, Canteen Corp.

DOBBS HOUSES

New food-service division aims at businesses, schools

MEMPHIS—Dobbs Houses, a major element in the fortunes of parent Carson Pirie Scott, has recently added a new contract food-service division.

The new division, called contract management services, is focusing on providing service for businesses, schools and colleges. The enterprise is based in part on reorganization of the resources of the 36-account Bowie management company, an earlier acquisition. The new division is stressing the expertise on hand through the Dobbs airline terminal business and is giving extra attention to each account's marketing direction. Accounts of $750,000 or more will receive an assistant manager/market director.

Dobbs has also had considerable success adding new airline catering accounts recently, says Paul Martin, vice president of airline services. Seven new accounts have been added within the last six months. Smaller caterers are, in general, losing accounts to larger operations such as Dobbs Houses, Martin says, and the demise of companies such as Braniff mean that other airlines can take over new routes. This, in turn, creates the need for new flight kitchens and services for the new carriers.

Flight kitchens have been built in Hartford and Tampa.

Meanwhile the company has closed 30 Steak 'n Egg units in areas where the neighborhoods were "transitional," said Robert Bryant, Dobbs Houses' president and Carson Pirie Scott vice chairman. The closings are expected to improve the chain's profitability.

Dobbs Houses reports considerable success adding new airline catering accounts.

OGDEN FOOD SERVICE CORP.

Seeking new food accounts in recreation and travel

BOSTON—Ogden Food Service Corp. will be seeking new contracts "concentrating heavily on recreation and travel," according to H. William Whitaker, marketing vice president.

The company has already been awarded several substantial new recreation-related contracts, including The Forum in Los Angeles, where professional sports teams play, and the San Jose and El Paso Civic Centers, both of which were expected to open last month.

In travel, Ogden has expanded its airline food-service operations by obtaining the contract for in-flight feeding on American Airlines at Newark, N.J. Ogden also has contracts for New York flights of Air France, Swiss Air and others.

Plans to Diversify

Whitaker said Ogden plans to expand its contract services to state and national parks, the managing of lodging facilities, and related services.

Within the last month Ogden began operating a tourist museum aboard a former World War II aircraft carrier, the USS Intrepid, docked in New York City. Ogden's contract covers operation of the museum, food service and security.

R. Richard Ablon
Ogden president

Another new venture for the com-

(Continued on page 149)

NRN FOCUS

CONTRACT FEEDERS

Robert D. Flickinger
Service Systems chairman

SERVICE SYSTEMS

New accounts attract new sales

BUFFALO, N.Y.—Service Systems, the contract feeder owned by Del Monte, is currently experiencing some softness in sales due to the recession, but has acquired a number of new, prestigious accounts.

The softness in sales, said a spokesman for the company, varies from region to region. "We have not been as adversely affected as some of our competitors because we are in service industries where workers are not laid off as fast as they are in manufacturing industries."

Service Systems' January acquisition of Stouffer's Management Corp added 115 accounts.

Acquisition

In addition to the acquisition, the company has added a number of "blue chip company" accounts to its roster, many of which are full-service contracts that will act as showcases for further business. Each account includes services ranging from full-line cafeterias to executive dining and meeting rooms.

A company official said he feels Service Systems' "flex-pricing" system gives it advantages.

"Flex-pricing" allows the company to mark up menu items as commodity increases occur. The client, often subsidizing employee meals, can readily adjust the menu mix to keep his amount of subsidization in line with what is affordable.

THE MACKE COMPANY

Electronic video games play role in company's future

CHEVERLY, Md.—The Macke Company, a contract feeder for businesses, industries, military installations and educational institutions, is "becoming more heavily involved in electronic games," according to Harry Conn, financial vice president of Allegheny Beverage Corp., the parent company.

"It's a form of vending, so under this operation we are purchasing more electronic games," Conn says.

In other areas, Macke's food-service expansion is likely to be limited to present geographical territories and the same kinds of accounts, says Conn.

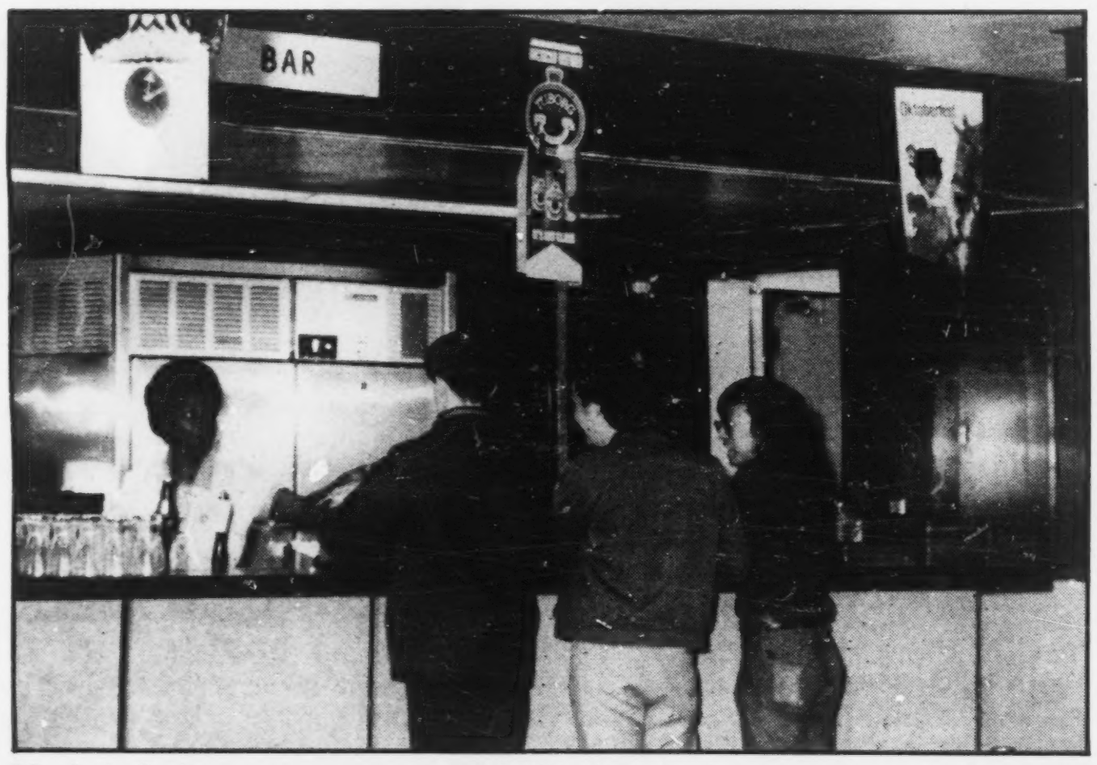
But he indicates Macke "could" move into states neighboring the ones in which it now has contracts. The company's 1,600 accounts are mostly concentrated east of the Mississippi River.

At present Macke has no plans to re-enter the restaurant field. It sold its unprofitable Family Fish Houses to Sea Galley Stores Inc.

Company officers maintained Macke's primary emphasis would remain food service, however. Conn said the company's design group was actively devising new concepts to bring the service more in line with client needs. For example, at one college Macke devised a fast-food concept for the dining area. "We found that the students liked it," Conn said, "It reminded them of their hometown McDonald's or Burger King."

Although a projection based on first-quarter sales ($53 million) indicates that 1982 will be much better than 1981 (when sales were $200 million), the company has been hurt by the recession, especially with accounts where the industries have curtailed operations. Macke must keep staff and equipment on hand to serve fewer people, which means reduced revenue and profits.

To cut down on costs, Macke has been using centralized purchasing to a greater extent. Conn said savings on supplies and materials were a "major contributor to profits."



Macke's design group came up with this fast-food concept to meet the needs of one college's dining area.

SZABO FOOD SERVICE

Still seeking new clients despite major plant layoffs

OAK BROOK, Ill.—Szabo Food Service, a contract feeder with many industrial accounts, continues to be hurt by plant layoffs, but is aggressively seeking new accounts with businesses, leisure facilities and health centers.

Though the recession has affected Szabo, gross profit and revenue for the first half year were up, and company president David Hamilton is predicting a better second half.

Operating profit before interest, taxes and other expenses, was up 23% to 1.1 million for the period. Revenue rose 5% to $67 million.

Over the past year Szabo won contracts with businesses like IBM, The Chicago *Tribune* and Cincinnati Bell Telephone. It also added a major health-care client, The State University of New York Medical School Downstate Medical Center in Brooklyn, N.Y.

Szabo lost an estimated $2.9 million in potential revenues from Anaheim (California) Stadium during last summer's strike by Major League baseball players.

Hamilton says the company will continue to compete for clients in its current markets.

OGDEN CORP.

Balanced businesses keep company on its feet

(Continued from page 148)

pany was its acquisition last year of the $25-million-a-year Offshore Food Service Co. of Louisiana, which serves about 110 oil and gas rigs in the Gulf of Mexico. Whitaker said Ogden is "looking for more of that type of business."

But, as Ogden continues to diversify its food-service accounts, it is gradually getting out of the restaurant business.

"We are divesting ourselves of individual restaurants and chains," Whitaker said.

In the past two years Ogden has sold its interests in the Nedick's fast-food chain in New York and the Doggie Diner chain in San Francisco. It still owns some Gleason's restaurants in Buffalo, however.

The recession has not severely affected Ogden, said Whitaker, because the company has "off-setting businesses." He explained: "When travel is down, theater sales are up."

During the past year the company named a new chief executive, R. Richard Ablon, who was promoted to president, replacing his father, Ralph E. Ablon, who retains the title of chairman of the board.

J.C. Szabo, chairman (left) and David R. Hamilton, president

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CHAIN ANALYSIS: PART II

Menu and operational analysis—Pages 39-55

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Tax bill spells disaster for industry

AFL-CIO official joins opposition to Senate bill

WASHINGTON—On most legislative issues lobbyists for restaurant industry groups and organized labor are on opposite sides of the fence. For the past few months, however, representatives of the nation's restaurant workers and officials from industry organizations like the National Restaurant Association have been working hand-in-hand on a common problem: Senate Finance Committee Chairman Robert Dole's controversial employee tip reporting bill.

If anything, organized labor leaders have voiced even stronger objections to the tip reporting plan than restaurateurs, and one NRA lobbyist acknowledged that "much of the credit for blocking that provision belongs to the union people."

AFL-CIO Food and Beverage Trades Department president Robert Harbrant, the man who quarterbacked Labor's drive to sideline that tip reporting bill, isn't celebrating any victories yet, however.

"Senator Dole's substitute bill-cutting deductions for business meals is probably an even more serious threat to country's food-service workers than his original tip reporting plan," Harbrant told *Nation's Restaurant News*.

As long as that "1½ martini lunch" proposal is a live issue

(Continued on page 113)

'1½-martini lunch' provision threatens $3 billion in sales

By Ken Rankin

WASHINGTON—Key segments of the restaurant industry were threatened with multi-billion dollar revenue losses in the wake of Senate passage late last month of a $98 million, Republican-backed revenue bill. The bill, which includes provisions for slashing Federal tax deductions for certain business meals in half, could cost the restaurant industry almost $3 billion.

At presstime, food-service Government relations specialists were frantically lobbying members of a special House-Senate conference committee in a desperate, last-ditch effort to strip the "1½ martini lunch" provision from the final bill. (See Editor's Corner, Page 6).

Total U.S. restaurant sales from tax deductible business meals reached an estimated $5.9 billion last year, and "a 50% deduction would cause spending to drop by $1.7 to $2.9 billion," National Restaurant Association President John Dankos predicted.

In addition, Dankos maintained that the G.O.P.-supported cut would conservatively eliminate more than 60,000 restaurant industry jobs and force many food-service operators out of business altogether.

Although NRA lobbyists told *Nation's Restaurant News* they were optimistic that the conferees would bend to industry pressure and strip the controversial business meal deduction cutback from the final tax bill version, one industry legislative specialist acknowledged that "we won't be able to rest for a minute" as long as the politically sensitive revenue measure remains before Congress.

Ironically, Senate passage of the business meal deduction measure came only minutes after food-service lobbyists scored a stunning floor victory against Senate Finance Committee Chairman Bob Dole's (R-Kan.) employee tip reporting proposal.

For months now, NRA, the Food-Service & Lodging Institute, and lobbyists for the nation's unionized restaurant workers have been rallying Congressional opposition to Dole's plan to require employers to report employee credit card tip income direct to the Internal Revenue Service.

That concerted lobbying drive paid off during the marathon Senate floor showdown over the tax bill. Although other controversial provisions of

(Continued on page 113)

Merger awaits final approval

Reynolds set to acquire Heublein

By Joe Edwards

WINSTON-SALEM, N.C.—KFC-parent Heublein and Del Monte-owner R. J. Reynolds, headquartered here, have agreed to a Reynolds takeover of Heublein for cash and securities.

The parties say they plan to combine Del Monte's food and beverages group with Heublein when the merger receives final approval.

Reynolds, the nation's leading manufacturer of cigarettes, agreed to acquire Heublein on July 29 in a cash and stock offer valued at between $1.3 billion and $1.6 billion. Reynolds total sales in 1981 were $11.7 billion; Heublein reported sales of $2.1 billion in fiscal 1982, ended June 30.

It will be perhaps as long as a year before all the pieces of the merger fall into place, according to a Heublein executive. Reynolds, meanwhile, plans to appoint Hicks B. Waldron, Heublein's 57-year-old chairman, president and chief executive, to head the combined Del Monte-Heublein group.

"A special study group will be formed to determine the optimum methods for blending the elements of the two foods and beverages companies within the newly created RJR foods and beverages group," J. Paul Sticht, Reynolds chairman and chief executive, said. Waldron will report directly to Sticht.

Where this leaves Michael A. Miles, the senior vice president-foods of Heublein Inc., who is generally credited with helping reverse KFC's dismal performance in the mid-1970's, is uncertain.

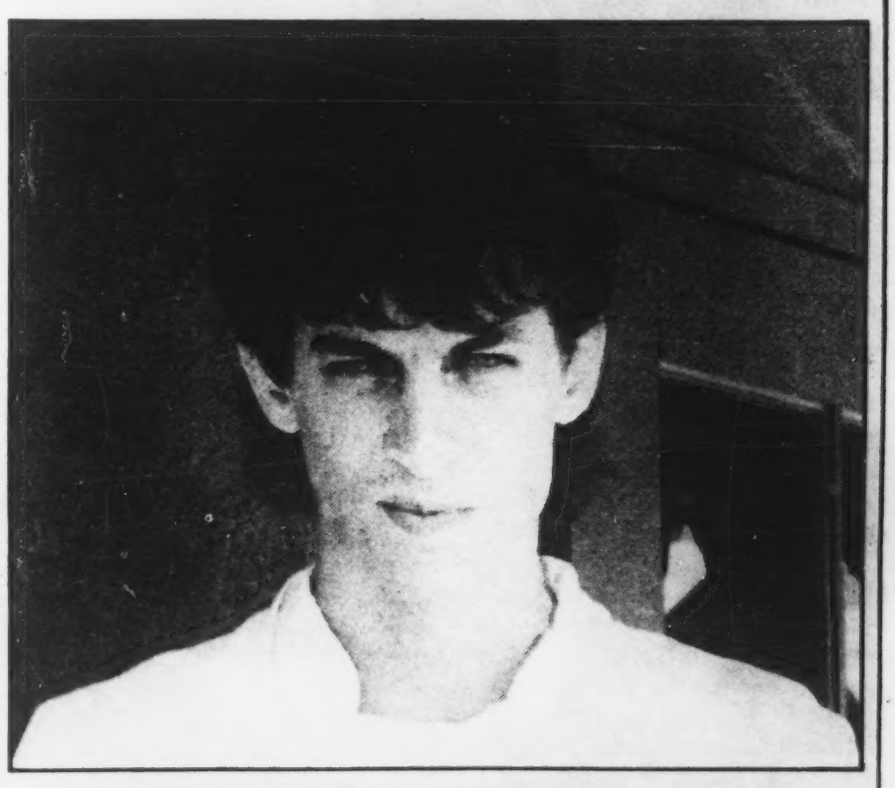
Miles is generally thought to be highly regarded at Heublein's headquarters in Farmington, Conn., and worked closely with Waldron on the KFC turnaround. In his present position, Miles oversees KFC's domestic and international operations and Heublein's grocery products businesses.

"Reynolds and Heublein are going to do nothing to disturb the winning combination put together down in Louisville," a Heublein executive said in reference to Waldron and Miles. KFC's headquarters are in Louisville, Ky.

Miles declined to comment on the proposed merger. Reached by phone at his Louisville office, he said: "Your best bet is to get in touch with the people in Farmington or the people in Winston-Salem [Reynolds home base]. I don't have any comment that they wouldn't make."

Heublein will continue to op-

(Continued on page 113)



PROFILE: GREAT AMERICAN CHEFS

Nation's Restaurant News profiles Ken Frank, the 26-year-old owner-chef of the acclaimed La Toque restaurant in Los Angeles, as part of a continuing series on American-born chefs. Story appears on Page 11.

LATE NEWSBREAKS

At a recent meeting in Knoxville, Tenn., the National Restaurant Association's executive committee voted in principle to sponsor the United States Culinary Olympics Team. The NRA board will approve the proposal next month. Kraft, which withdrew from sole sponsorship earlier this year, volunteered to participate in the funding. The Culinary Olympics are held every four years in Frankfurt, Germany. In 1980 the United States team won a gold medal in the hot foods competition. "The 1980 team taught us an important lesson," NRA president John Dankos said. "We must have an American team in Frankfurt in 1984." About 18-team members are being chosen at tryouts already begun in Philadelphia, Los Angeles and Chicago.

Jerrico, operator of 1,250 company-owned and franchised Long John Silver's fast-food restaurants, reported net earnings of $21.8 million for the fiscal year ended June 30, a 5% increase from the prior year. Revenues rose 13%, to $427.1 million.

Expansion pace quickens

U.S. fast food invading Europe

American fast-food chains, increasingly concerned with market saturation here, are stepping up expansion efforts in Western Europe.

By some estimates, the European fast-food market has now reached the $1 billion mark. And while just two countries, West Germany and Britain, account for more than two-thirds of that volume, American fast feeders are now expanding at a steady pace in other countries as well.

Earlier this year, PepsiCo's Pizza Hut, for example, formed a joint company with the British brewer, Whitbread, to put Pizza Hut pizza bars into some of the British company's 7,000 pubs and to convert some of them entirely to Pizza Hut restaurants. In less than two years, Wendy's has grown from zero units to about 25 in five countries, and expects to double that number this year. McDonald's and Kentucky Fried Chicken, the two American fast-food pioneers in Europe, continue to add to their lead.

For these and other American fast-food chains, Western Europe is a main target because of its relative political stability and changing attitudes toward American fast food.

"There's been a definite acceptance of American fast-food formats," said an analyst who recently completed a study on the European fast-food market. Added a Wendy's spokesman: "Europeans are getting accustomed to the convenience of fast-food concepts."

Among findings of the market study conducted by Dean Witter Reynolds analyst John

(Continued on page 113)

Senate tax bill could spell disaster for industry

(Continued from page 1)
Dole's omnibus tax raising package sailed through the Senate, when the vote came on the tip reporting section at 4 a.m., critics of the proposal overwhelmingly rejected this provision by a 70 to 25 margin.

At that point, however, restaurant lobbyists snatched defeat from the jaws of victory.

Dole promptly offered a new "three martini lunch" amendment trimming the deductibility of business meals in half. The move caught industry and union lobbyists by surprise, and with no time to mount an opposition drive the Senate approved the meal deduction cut by a lopsided 57 to 40 vote.

Ironically, the "1½ martini lunch" provision represents a far more serious threat to the food-service industry than the original tip reporting scheme advanced by Dole.

When similar restrictions on business meal deductibility last came under serious consideration in Washington, NRA officials warned that reducing these deductions by 50% would create a near depression within the restaurant industry.

Although the version that passed the Senate last month is slightly less restrictive than the earlier Carter Administration plan—business meals consumed out-of-town at conventions and during business trips would continue to be 100% deductible—food-service leaders nevertheless predicted that the measure would have "dire consequences".

"The proposal would result in a dramatic cut in restaurant sales, some bankruptcies and massive loss of jobs," NRA's Dankos said .

Predicting that the lost food-service revenues resulting from the new restrictions could approach $3 billion annually, Dankos maintained that tablecloth operators in large urban areas would be particularly hard hit.

Restaurants "that operate in business areas and do a heavy breakfast and lunch trade may well be put out of business," he said. And since "the average restaurant operates on a 4% to 5% margin," such a massive drop in sales "will have a powerful effect on all eating places."

The impact of the legislation on food-service employment would be staggering, he added, predicting that "this provision will mean the loss of 63,000 to 107,000 jobs at a time of high unemployment."

In addition, NRA officials argued that much of the revenue increases resulting from the lower business meal deduction ceiling would be offset by tax losses and unemployment compensation hikes resulting from the decline in food-service employment.

According to Dankos, these losses will cost the Federal Treasury between $304 million and $506 million annually.

Although restaurant industry concern was riveted almost exclusively on the meal deduction issue at presstime, the massive tax reform bill approved by the Senate contains a number of other revenue raising provisions impacting food-service operators, including:

- A gradual phaseout of "small issue" Industrial Development Bonds—a move that could eliminate millions of dollars in tax-subsidized, low-interest construction financing;
- A three-year extension of the Federal Targeted Jobs Tax Credit program offering 50% wage subsidies to restaurants hiring workers from "targeted" population groups;
- Sharp increase in Federal unemployment compensation taxes as well as hikes in the tax rate on telephone services;
- An accelerated new collection formula for corporate estimated income tax payments, coupled with reductions in the maximum tax-deductible contributions to corporate executive retirement programs.

AFL-CIO's Harbrant joins opposition

(Continued from page 1)
in Congress, Harbrant is likely to remain a strong ally of NRA and other restaurateur groups battling against the measure.

But the AFL-CIO official made it clear that he's ready to part company with food-service operators on other key legislative and regulatory issues.

The Reagan Administration's new proposal to relax Federal child labor restrictions on the employment of teenagers in restaurants is a case in point.

In contrast to NRA president John Dankos who praised the plan as a welcome relief for over-regulated restaurant operators, Harbrant termed the child labor revisions a "misguided" effort which is likely to "expose kids to hazardous working conditions".

"Given the current high unemployment rates across the country, relaxing Federal child labor rules to encourage more young 14- and 15-year-olds to seek work should be our last priority," Harbrant told *NRN*.

"With millions of people unable to find work of any kind, I don't see any justification for displacing even more older workers.

Fast-food chains invade Europe

(Continued from page 1)
Weiss:

—Fast-food sales represent less than 3% of total commercial meals eaten away from home in Western Europe, and per-capita spending on fast food is only $3.50 a year. Thus, the market is still virtually untapped.

—About 220 fast-food outlets—including those owned by European-based companies—are expected to be added this year to the existing base of 1,250, an increase of 18%.

—While it's "still unclear" whether a meaningful fast-food market exists in suburban areas, there are "encouraging signs" that the suburbs hold potential for expansion, according to Weiss. One European fast feeder, G. B. Quick, for example, reports annual store sales of $1.5 million in France outside Paris.

By far the dominant fast-food factor in terms of sales is McDonald's, whose 300 units account for between 35%-40% of market share. KFC, with nearly 400 units but significantly lower volumes—most KFC stores are take-out only—holds a 13% share.

Some three-fourths of McDonald's restaurants in Western Europe are located in West Germany and England. McDonald's is said to be expanding aggressively in both, though it also has been adding in such countries as Austria, Denmark, Spain and France.

FAST FOOD SALES BY COUNTRY (1980)

	Fast food sales ($ millions, chains only)
Britain	$506
West Germany	473
Belgium	50
Sweden	42
Netherlands	37
Switzerland	35
France	32
Spain	29

Source: Dean Witter Reynolds Inc.

In fact, there are now only three countries where no fast-food chains—United States-based or European—are operating, according to the study by Weiss: Italy, Portugal and Finland. But at least one, Italy, is showing signs that its populace would welcome the fast-food concept. A state-owned concern, Serio, earlier this year set up a fast-food outlet in Milan called Burghy, which specializes in American-style hamburgers, french fries, soft drinks and milkshakes. Competing restaurants are reportedly set to open as well. There have also been news reports McDonald's has been eying the Italian market.

Changes in lifestyle are one big factor why Italians are likely to embrace fast food. A recent poll in Milan showed that 60% now spend less than a half hour for lunch—a dramatic turnaround from the leisurely, two-hour or longer lunches that once were the norm in this Mediterranean country. And an increasing percentage of women are working and no longer have the time to prepare meals.

The United States fast-food formats in Europe are virtually identical to their American counterparts, both in operations and menu, though some concessions have been made to local lifestyles. Wendy's, for example, offers beer and wine in its eight German units, and stays open longer in the evenings because most Europeans eat dinner considerably later than Americans do.

NUMBER OF RESTAURANTS BY COMPANY

	1974	1981	1982*
Kentucky Fried Chicken	260	380	420
McDonald's	12	300	370
Burger King	0	54	90
Wendy's	0	25	50

*Estimated

Source: *NRN* Research

Sales in European stores are generally higher than in the United States, mostly because of higher menu costs. The average check at hamburger restaurants in Europe is said to be about $3-$3.50.

According to Weiss, sales results to date also "confirm that there is definitely demand in Europe for fast and relatively inexpensive food served in a clean, self-service format." But he added it's still not clear how rapidly demand is actually growing since "demand for fast food is somewhat exposure-induced."

United States fast feeders doing business in Europe face other challenges as well.

For one thing, construction costs are considerably higher than in the United States. Investment in land, building and equipment for a new McDonald's in Germany last year was said to be at least $1 million compared to less than $800,000 in the United States. In addition, a number of municipalities continue to place severe restrictions on where units may be built.

Store margins are also lower than in the United States both because of higher-labor costs and steep rentals and because of restaurant network start-up costs in general. The store level margins of European McDonald's, for example, were reportedly 7%-9% in 1981, compared to 17.5% in the United States.

Anti-American sentiment is said to be another factor influencing sales, though its effect is not considered significant.

Reynolds to acquire Heublein; merger awaits approval

(Continued from page 1)
erate from its Connecticut base; KFC from Louisville, Ky., and Del Monte from San Francisco, Sticht said.

Food and beverages accounted for about 20% of Reynolds Industries sales in 1981 but only 6% of its $768 million profits. In recent months, Sticht has expressed interest in reducing Del Monte's dependence on canned goods and expanding into processed foods. Reynolds acquired Del Monte in 1979.

In addition to domestic and foreign cigarettes, Reynolds is involved in containerized shipping (Sea-Land), oil and natural gas (Aminoil USA) and packaging. About 51% of sales comes from tabacco products.

Heublein acquired KFC, the nation's leading fast-food chicken chain with about 6,200 units worldwide, most of which are franchised, about 10 years ago. About 40% of Heublein's total sales comes from restaurant and grocery products sales.

Analysts who follow Heublein and Kentucky Fried Chicken reacted favorably to the merger news, with several noting that Reynolds had cash to pour into KFC for expansion purposes. Carl De Biase, who heads *Restaurant Industry Trends*, though, called it a "nonevent" as far as KFC is concerned.

One Heublein executive speculated about an infusion of cash from Reynolds into KFC. "We've got a lot of places to build a lot of stores," he said. "It's the easy way to gain market share."

KFC is known to be interested in boosting market share on the East Coast, particularly in the Boston-to-Washington corridor where 22 million persons live and where KFC is surprisingly under-represented among leading fast-food chains.

A few months ago, KFC agreed to purchase about 70 Gino's restaurants in that area from Marriott Corp. Marriott acquired Gino's and plans to convert many of the units to its own Roy Rogers concept and sell off the rest.

"That territory would accommodate 400 more [KFC] stores," the Heublein executive said. "We're interested in building new stores and expanding through franchising."

As part of its agreement to purchase the Gino's restaurants, KFC acquired the master development rights for New Jersey, Maryland, Delaware, Washington, D.C., and parts of Virginia and Pennsylvania. (Gino's is a KFC franchisee and sells chicken products in KFC units and at its own burger restaurants.)

Miles has characterized KFC's move into the Atlantic Coast States as "the first really serious KFC development in that area."

The industry will be watching closely to see how KFC performs under Reynolds' ownership. In the last 10 years there have been a number of less-than-impressive performances by chains acquired by large diversified corporations with no experience in the food-service industry, notably Sambo's (GDV Corp.) and the W. R. Grace restaurants.

Much of the acquisition action taking place in the last two years has been by food-service companies buying smaller chains for the sites or to add new concepts to their lineups.

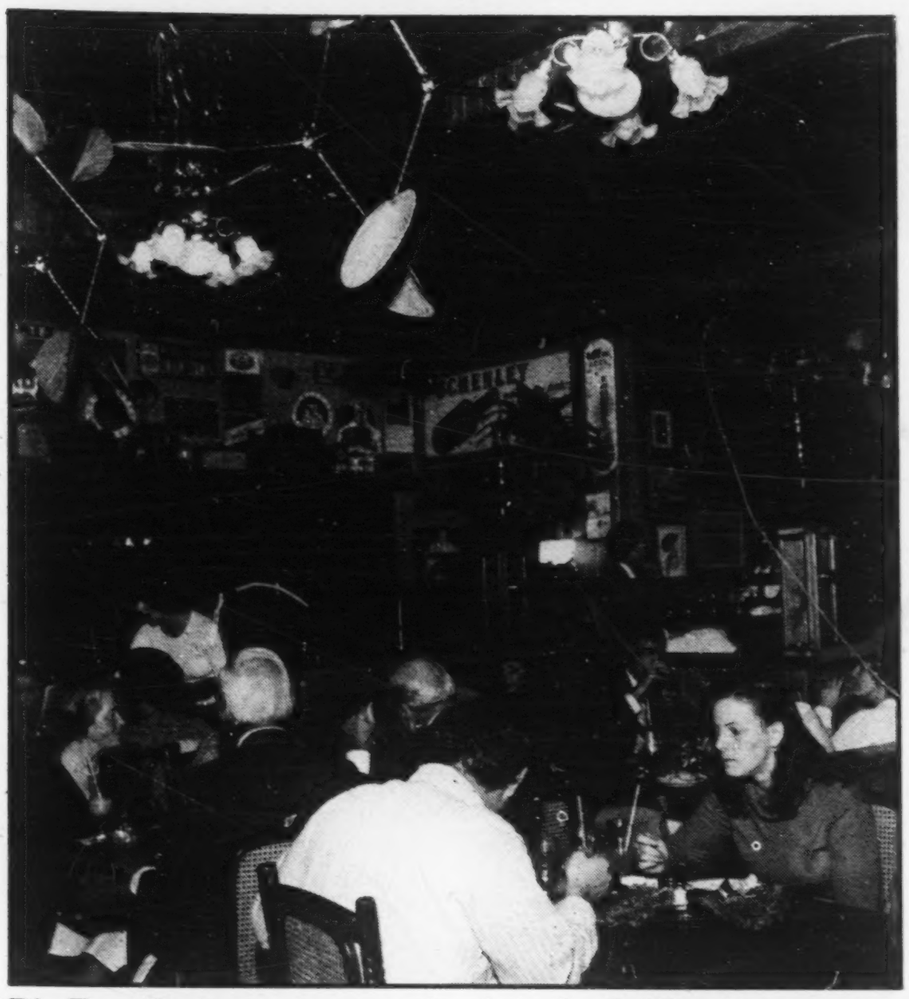
In its bid for Heublein, Reynolds made a cash tender offer for 11.35 million shares, or approximately 52%, of Heublein's outstanding stock at $63 a share. The remaining Heublein shares would be exchanged for a combination of Reynolds common and a new issue of Reynolds preferred stock at a per share value of about $57.

As rumors spread on Wall Street a few hours before the merger was disclosed, Reynolds stock fell a few points and Heublein and General Cinema Corp. stock rose a few points.

General Cinema, a leading movie theater chain and soft-drink bottler, has been buying Heublein stock since late last year and now owns about 18.9% of Heublein. General Cinema's reported interest in acquiring all or part of Heublein has not pleased Heublein executives.

Heublein, in turn, has purchased about 3.5% of General Cinema stock and earlier this year said it planned to purchase another 46.5%. Heublein also filed suit against General Cinema charging it with "an illegal attempt to gain control" of Heublein.

The Reynolds-Heublein merger would result in a company with about $14 billion sales, based on 1981 figures. Kentucky Fried Chicken would account for about 5% of the total.



Big Four Restaurants expansion into the California market is being led by the opening of its sixth Lunt Avenue Marble Club.

Big Four mapping strategy for move into California

By Rick Martin

TEMPE, Ariz.—Big Four Restaurants is expanding its eight-unit, $16-million Arizona operation out of state next month with the opening of its sixth Lunt Avenue Marble Club unit, in Pleasanton, Calif.

The company, with a conceptual emphasis on exhibition cooking areas and in-house bakery displays, is eying the California market for deployment of its other concepts, including the more upscale Oscar Taylor's restaurant. The nine-year-old company also operates two Willy & Guillermo's Mexican dinnerhouses.

Big Four is also looking to Denver, Albuquerque and Florida as sites for future Oscar Taylor's. The tablecloth operation, featuring a prime steak and rib menu and a full-scale French bakery, will gross more than $4 million in its Phoenix outlet this year, according to Big Four president Lee Cohn.

Two new concepts are being geared up for Phoenix debuts next year. Pops, an Italian restaurant with exhibition kitchen and pasta-making area, will take over an existing facility in a shopping center early in 1983. Steamers, featuring mesquite charcoal-broiled seafood and pasta, is scheduled for opening later in the year.

"Our plans are to develop two or three more concepts in Phoenix," Cohn said, "so that we'll have the flexibility to adapt whichever is best suited to any new restaurant properties we acquire." Seven of the eight Big Four restaurants now operating have gone into the sites of operations that have gone broke and been picked up for conversion, Cohn said. The company has its own construction division to implement such conversions. "We're very comfortable with that approach to expansion," Cohn indicated. "We end up with an investment about half what would be required to build from the ground up."

Cohn and partners Bill Marcus, Rich Rabin and Barry Goldstin (the "Big Four"), started in Arizona in 1973 with their first Lunt Avenue Marble Club. Cohn, who learned the restaurant business through his family's CFS Continental food service company in Los Angeles, chose the Phoenix area as a home base for his own operation after attending school there. "It's a tough restaurant market now," Cohn said, "but when we started nobody was doing anything here. It makes sense to start our new concepts in Phoe-

(Continued on page 114)

Shrimp tariff bill evokes restaurateurs' anger

By Ken Rankin

WASHINGTON—New protectionist legislation pending in Congress would drive the cost of shrimp up so sharply that these items could be priced off restaurant menus altogether, food-service industry leaders warned.

The bill, which is intended to protect United States shrimp harvesters, would impose a stiff five-year quota on shrimp imports to this country, and slap a whopping 30% "value added tax" on the foreign supplies that are allowed in.

Such double-barrelled import restrictions would hit food-service operators particularly hard since restaurants sell an estimated 75% of all shrimp consumed in the United States.

The bill has drawn particularly strong opposition from the Louisiana Restaurant Association, which warned Congress as early as last fall that the proposed quotas and taxes would trigger substantial price increases to restaurateurs and consumers.

With the measure now positioned for a showdown in the House Merchant Marine and Fisheries Committee, officials from the National Restaurant Association have entered the fracas in an attempt to sideline the bill.

The new import restraints sponsored by Committee Chairman John Breaux (D-La.) "can only add to the cost of both the domestic and imported product and work to the detriment of the restaurant industry—which includes shrimp on nearly 60% of its menus," NRA executive vice president Robert Neville maintained.

In a letter sent to every member of Breaux' committee, Neville argued that import quotas and taxes would backfire on domestic producers.

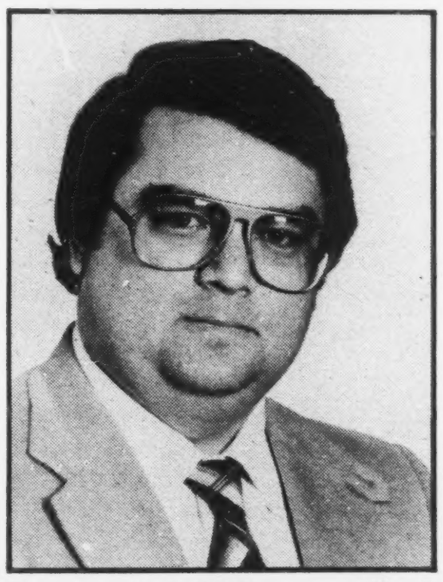
"Since our industry is the primary retail outlet for shrimp [on a nationwide basis we are estimated to sell 75% of the shrimp consumed in the United States], it follows that [the proposed import restrictions] would also work to the detriment of shrimp harvesters as well," he said.

Since tariffs and quotas would "only camouflage the basic economic problems of the harvesters and postpone the adjustments needed to make the industry truly competitive," NRA does "not believe their imposition is the correct approach," Neville told Congress.

"In fact," he said, "the resulting cost increase will doubtless cause shrimp to become too expensive for our regular customers."

Citing the results of a recent industry survey, the NRA exec vp noted that "because of price increases, shrimp was the No. 1 item dropped from menus in 1980. It is clearly in our interest and the interest of the shrimp harvesters not to have that happen again," Neville maintained.

Bonanza unveils plan to develop new Italian fine-dining concept



Bonanza's Jeff Rogers talked about the company's plans to roll out an Italian find-dining concept, but he's keeping mum on a second new concept that's on the chain's drawing boards.

DALLAS—Bonanza, the 630-unit budget steakhouse franchisor has two more projects in development that could conceivably be spun off the same way the budding Peoples family restaurant chain was last year.

Jeff Rogers, senior vice president for franchise services, said Bonanza plans by December to open an Italian fine-dining concept here which will place a heavier emphasis on liquor sales and less emphasis on family clientele than the 27-unit Peoples concept.

The name and details of the new operation are under wraps while preopening plans are hammered out, Rogers said.

In addition, Bonanza, which franchises about 700 units, has a second concept simmering on the back burner, Rogers said. He declined to describe the second concept.

Bonanza's Italian concept surfaced last month when Peoples Restaurants said that Charles Wyly Jr., chairman, and his brother, Sam Wyly, a director, resigned. They cited potential conflicts of interests as Bonanza developed a concept that would be competing with Peoples.

The two brothers and certain Wyly family trusts are the largest stockholders in Peoples, with about 10.6% of the common, according to Peoples.

They are directors of Bonanza International, which spun off Peoples as a separate publicly held company in June 1981.

Peoples said the board elected Donald G. Thomson, chief

(Continued on page 114)

JB's jumps into dinnerhouse battlefield

By Don Jeffrey

SALT LAKE CITY—JB's, operator of 66 Big Boy restaurants in the West, is focusing development efforts on dinnerhouses and specialty restaurants.

The company opened its second dinnerhouse, The Old City Jail of Tucson, in Arizona this May. (The first, The Old Salt City Jail here, was bought by JB's 2½ years ago.)

This month JB's planned to open its first specialty restaurant, Apple Butter Farms, in Salt Lake City.

"Our philosophy is that we don't want to have all our eggs in one basket," said David J. Asay, an assistant vice president and marketing chief.

Asay said JB's is seeking sites for new Apple Butter Farms and City Jail-type restaurants, but he indicated the company was not rushing to expand.

"We want to evaluate over a period of time," he said. "We want to make sure the concepts are developed as well as they can be. Then we'll carefully look at sites." He said the company probably would not open more than one new restaurant a year.

The two Old City Jail dinnerhouses are similar in decor (they recreate old Western towns), menu offerings and pricing.

The Salt Lake City restaurant opened four years ago, got into financial difficulty, and was bought 2½ years ago by JB's. Asay said revenues were $1.2 million last year.

"The reason we purchased it was that we were in the mode of trying to broaden our base. This just seemed to fit all the criteria we had."

Seating 180 people in a series of small rooms called "cells" that are decorated with antiques and old West memorabilia, the restaurants feature prime rib dishes such as the 14-oz. Sheriff's cut for $12.95.

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COMMODITIES

Pork prices tail off after hitting all-time high

NRN Special Report

After hitting an all-time high price in June, pork loin prices fell off to levels more accurately representing supplies of pork. The earlier high was believed to be an emotional reaction to a U.S.D.A. survey of farmers which showed 13% fewer pigs being raised than last year at the same time. With the emotion abating, the price of pork, while still high, has been settling.

Another rise could come, however, on the information that there has been a sharp drop in the number of pork bellies (the raw material from which bacon is produced) in cold storage at the middle of July. Traditionally the amount of bellies in storage falls during the summer, but the market is so unsettled this may herald another panic rise.

(Continued on page 114)

PRICE MOVEMENT AT A GLANCE

	July 23, 1981	June 23, 1982	July 23, 1982
Beans, Pinto, dry, Colorado (cwt.)	$43.50-44.00	$15.00	$14.50-14.75
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 1.045	$ 1.095	$ 1.02
Broilers, Grade A, ice pack, NYC (lb.)	$ 0.5390	$ 0.4838	$ 0.4558
Coffee, green beans, Brazilian, NYC (lb.)	$ 1.30	$ 1.42	$ 1.40
Eggs, large white, Grade A, Chicago (doz.)	$ 0.6675	$ 0.645-0.65	$ 0.575-0.58
Lettuce, iceberg, California (24s)	$ 5.00-6.00	$ 4.00-4.50	$ 5.50-7.00
Peas, frozen, Grade A, California (lb.)	$ 0.47	$ 0.51	$ 0.51
Pork Loins, Choice, 14-17 lb., Midwest (lb.)	$ 1.00	$ 1.27	$ 1.18
Potatoes, round white, Eastern (50 lb.)	$ 4.00	$ 7.00	$ 2.00-2.25
Tomato Ketchup, Fancy, California (6/10)	$14.00	$17.30	$16.30

Source: NRN Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price tends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

FINANCIAL NEWS

Saga earnings soar 45% in fiscal 1982

By Rick Martin

MENLO PARK, Calif.—Saga Corp. reported a net income of $16.8 million for the fiscal year ended June 26, up 45% from last year's $11.6 million. Revenues for fiscal 1982 were up 10% to $901 million from $819 million last year.

In the fourth quarter, profits were up 33% to $2.9 million on revenues of $227.1 million, compared to $2.2 million on sales of $207.8 million in the closing quarter last year.

The primary factors cited by the company for the year's profit performance were continuing moderate food-cost increases, closer management controls and an improved cash position resulting from tight asset management.

Overhead, as a percentage of revenues, was up from last year due to increased discretionary investment in growth problems, including a major corporate reorganization. Saga chairman and ceo Charles A. Lynch said that "strategic positioning" during the year had "established a new foundation for our business thrust for the next five years."

Profit Margin

The company's Straw Hat Pizza division ended fiscal 1982 with record sales and operating profits, according to company sources. Lower margins in Saga's two dinnerhouse divisions were attributed to "soft customer counts" and "a conscious strategy to defer menu price increases." Saga operates the Stuart Anderson's Black Angus and Velvet Turtle restaurant chains, in addition to its contract feeding operations.

Improvement in the contract divisions' profit performance was due, the company said, to a slower rate of increase in food costs than had been anticipated and a better overall mix in the types of accounts serviced. New accounts opened in the last few years have been larger and more profitable than those which have been discontinued.

Among the strategies implemented by Lynch to bolster Saga's continued growth was the establishment of a "special projects" office, headed by former chief marketing and administrative officer John G. Hollingsworth. Although details of the special projects have been kept under wraps, sources at the company have indicated that Saga is looking at expanding its scope of interests beyond the contract feeding and restaurant divisions which are currently the main thrust of its activities.

Holiday Inns' 2nd qtr. net tumbles 21.9%

MEMPHIS—Holiday Inns has reported a 21.9% decline in net income to $30.4 million on a 5.8% rise in revenues to $364 million for the second quarter ended July 2.

Without the results from its discontinued operation, Delta Steamship Lines, Holiday Inns income from continuing operations dropped 4.5% to $27.8 million in the quarter. Holiday Inns disclosed earlier this year it was selling the steamship line.

For the first six months of the year, Holiday Inns reported a 17.4% drop in net income to $55 million on a 9.4% rise in revenues to $696.6 million. Income from continuing operations increased 12.7% to $48.5 million in the period.

Perkins Inc., the company's family restaurant subsidiary, maintained profit levels in the quarter, according to Rose. Holiday Inns does not break out results of its subsidiaries. Other operating income for the quarter was down largely due to certain nonrecurring transactions.

Food-service chain stock analysis table

Name	Symbol	STOCK PRICE: Two Weeks Ended July 30 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	TREND TO MARKET: Price Trend (% per day) Last 30 Days	Price Trend (% per day) Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend (% per day) Last 5 Days	EARNINGS/SHARE: Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Change Pct.	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS: Indicated Dvd. Rate Amt.	Yield	Last X-Dvd. Date	FINANCIAL POSITION: Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.50	3.75	5.00	1.25	33.33	9.13	3.50	.79	-2.11	6.81	-35.09	.47	-.48 S	-109.0	-5.0	4.3	NE	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	19.50	16.63	16.88	-2.38	-12.34	20.88	10.00	-.27	-.95	1.48	-24.96	1.66	.41 N	26.2	34.0	6.3	8.6	.22	1.3	08-10-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	29.13	27.50	28.00	.50	1.82	32.75	23.50	.23	.14	2.36	12.12	4.00	-1.13 S	-22.7	-1.0	1.5	7.3	2.00	7.1	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.88	5.63	5.63	-.13	-2.17	7.25	4.88	.29	-.17	-3.08	-8.16	.66	.13 S	22.0	-8.0	2.6	7.8	.12	2.1	06-08-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5.88	5.13	5.13	-.25	-4.65	6.50	2.88	-.01	.00	-2.02	34.26	.62	.11 S	18.9	32.0	2.4	7.4	.00	.0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	24.50	24.00	24.00	-.25	-1.03	27.00	17.75	.43	.64	-7.27	19.05	1.60	.20 F	14.2	25.0	7.9	15.0	.40	1.7	08-02-82	173.4	13.7	1.7	.0	8	0482
Bonanza Intl Inc	BNZA	2.25	2.00	2.00	-.38	-15.79	3.50	1.06	1.18	-.76	3.80	22.69	-3.33	-3.32 Q	NC	-67.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	13.00	10.50	11.50	-1.38	-10.68	17.50	9.88	-.67	-1.46	3.49	-15.38	.59	.40 S	129.0	24.0	4.3	16.2	.10	.9	06-29-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	9.00	8.25	8.75	.50	6.06	9.16	7.16	.42	.18	2.71	42.86	1.11	.32 Q	37.2	7.0	3.2	7.4	.20	2.3	04-29-82	37.0	1.2	.6	1.5	2	0282
Carrols Develop	CRL	6.13	5.50	5.50	.00	.00	6.38	3.97	.39	-.61	2.62	-10.27	.86	.72 N	163.6	35.0	2.4	4.7	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	21.00	19.88	19.88	-1.00	-4.79	22.25	15.25	.17	.73	1.00	-32.31	2.03	.23 S	12.4	14.0	5.0	9.6	.60	3.0	03-22-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	18.75	17.13	17.25	-.63	-3.50	18.75	10.09	.41	-.87	-.49	1.75	.55	.22 F	66.6	34.0	11.1	31.4	.00	.0	06-28-82	14.9	2.1	3.1	1.1	1	0481
Ch Full O Nut	CHF	17.50	14.63	16.75	1.88	12.61	17.50	9.00	1.04	1.98	6.37	26.28	.66	-.44 N	-51.1	20.0	2.7	39.9	.40	2.4	07-01-82	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	27.50	26.13	26.63	-.25	-.93	33.50	25.00	.15	.39	-3.14	-15.70	3.52	.15 S	4.6	17.0	10.8	7.8	1.00	3.8	07-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	2.88	2.75	2.88	.13	4.55	3.63	2.50	.09	.33	2.29	-19.74	-.06	1.37 F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.2	0	1281
Collins Foods	CF	14.38	12.13	12.50	-1.38	-9.91	14.38	7.75	.30	-1.44	-1.36	15.33	1.71	.52 F	43.6	13.0	3.2	7.3	.20	1.6	07-19-82	265.2	7.5	1.4	8.0	10	0481
Consul Corp	CNSL	7.50	6.88	6.88	.00	.00	9.00	5.25	.66	-1.12	3.66	-52.26	-.08	.12 S	NC	NE	-1.5	57.3	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	10.25	9.50	9.50	-.25	-2.56	11.00	7.25	.07	-1.02	3.32	-10.65	1.00	1.01 S	NC	21.0	3.2	9.4	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	28.50	25.88	26.13	-1.88	-6.70	28.50	14.75	.29	.12	-.26	-22.30	1.97	.77 N	49.6	6.0	3.2	11.3	.64	2.4	06-04-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	17.50	17.13	17.25	.38	2.22	17.50	11.13	.48	.67	2.40	9.86	1.82	.26 S	15.2	19.0	8.3	8.8	.36	2.1	08-09-82	68.7	5.7	1.3	11.4	11	1061
Frisch's	FRS	11.63	9.25	9.25	-1.75	-15.91	11.63	5.78	.20	-2.08	-.84	-67.56	1.39	.73 N	63.4	14.0	3.0	4.9	.38	4.1	06-29-82	97.0	2.9	1.2	7.2	13	0581
Hamburg Hamlet	HAMB	6.50	6.50	6.50	.25	4.00	8.25	5.00	-.73	.73	-11.96	.00	1.35	1.08 F	400.0	-13.0	3.2	4.8	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	1.50	1.50	1.50	.13	9.09	5.25	1.38	-.34	.63	-8.68	.00	-2.22	-3.88 S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	33.00	31.25	32.13	-.25	-.77	45.25	29.75	-.01	.40	-1.30	32.10	4.22	-.37 S	-9.0	22.0	20.9	8.6	1.80	5.6	08-30-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	30.13	26.50	26.75	-1.38	-4.89	30.38	21.88	.20	-2.44	3.23	23.30	3.66	1.12 Q	42.4	26.0	7.8	7.1	.80	3.0	06-10-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	44.00	42.00	44.00	5.00	12.82	44.50	33.00	.35	.74	-.44	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	19.00	16.75	17.63	-1.25	-6.62	19.25	7.28	.58	-.56	1.88	-17.33	1.05	.13 Q	14.6	30.0	2.7	17.3	.00	.0	01-11-82	166.1	4.5	1.7	12.6	7	1281
Hungry Tiger	HTIG	10.25	8.75	10.25	1.75	20.59	10.25	6.00	.87	2.77	4.96	-20.62	.92	.18 N	20.4	41.0	3.2	9.7	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.81	1.56	1.69	-.06	-3.57	1.88	1.06	-.01	1.72	-5.53	36.36	.24	.00 F	.0	2.0	2.0	7.0	.14	8.3	02-24-82	8462.9	171.0	1.1	.7	2	1061
Intl Dairy Queen	INDQ	13.50	13.00	13.50	.75	5.88	13.50	9.25	.62	.77	2.37	38.06	1.72	.34 S	22.5	38.0	6.1	7.3	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3.75	3.63	3.75	.13	3.45	3.75	1.75	.80	1.55	2.57	14.89	-.65	1.06 N	NE	-36.0	-3.1	19.7	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	7.63	7.00	7.25	.25	3.57	7.63	2.88	.53	-.42	.01	-45.09	.63	.29 N	53.7	1.0	3.0	8.7	.16	2.2	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	21.25	18.25	18.25	-2.25	-10.98	26.25	15.63	-.17	-1.09	1.94	-10.16	1.70	.27 N	17.1	22.0	5.6	9.9	.12	.7	05-10-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3.88	3.63	3.63	-.25	-6.45	4.50	3.50	-.39	-.83	-4.31	67.65	-.24	-.46 S	-575.0	-33.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	19.00	18.38	18.50	-.50	-2.63	19.25	10.75	-.05	.68	-5.66	-48.88	.89	.31 F	53.4	126.0	8.1	20.8	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Karcher Carl	CARL	14.88	13.88	13.88	-.50	-3.48	14.88	8.88	.38	-.97	.82	-6.00	1.51	1.68 Q	NC	17.0	3.4	8.3	.00	.0	00-00-00	200.6	6.9	1.9	6.4	8	0182
Lubys Cafe	LUB	29.88	27.25	27.38	-1.88	-6.41	32.00	23.50	.18	-.66	-2.44	-12.65	1.45	.25 N	18.1	23.0	9.1	16.8	.60	2.2	09-03-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	7.25	6.88	7.13	.50	7.55	7.25	5.00	.72	.13	4.42	-49.56	1.15	.04 N	3.5	7.0	5.8	6.1	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	39.00	36.00	36.63	.00	.00	40.25	31.63	.44	-.39	-.28	-22.00	3.20	.37 S	12.6	30.0	4.3	11.1	.30	.8	06-21-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	77.00	72.75	73.25	-3.75	-4.87	77.25	56.75	.27	.14	-1.13	9.08	6.54	1.01 Q	17.6	18.0	10.7	10.9	1.20	1.6	07-20-82	2477.2	264.8	.5	23.0	34	1281
Morrison Inc	MORR	11.88	11.63	11.75	-.38	-3.09	12.25	8.13	.38	.72	.01	-1.57	1.16	.21 F	22.1	8.0	4.1	10.1	.36	3.1	07-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.00	2.00	.00	.00	3.75	2.00	-.21	-2.25	-1.27	1.16	.22	-.25 S	-500.0	-22.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.00	.75	.81	-.19	-18.75	1.88	.63	-1.03	.78	4.16	63.06	-.87	-.42 N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	11.50	9.00	-.02	.78	-19.35	.00	1.74	-.08 S	-5.5	9.0	1.3	6.9	.32	3.5	03-11-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	5.13	4.75	4.75	.00	.00	11.38	4.63	-1.47	-.26	2.06	35.45	1.01	-.81 N	-84.3	24.0	5.4	31.7	.20	4.2	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	16.13	13.63	13.63	-2.25	-14.17	18.13	13.50	-.07	-4.09	6.99	34.66	1.30	.14 N	10.7	15.0	6.1	9.5	.56	4.1	06-03-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.38	4.88	4.88	-.50	-9.30	8.88	4.63	.23	-1.25	-4.96	-43.33	.50	-.02 Q	-3.5	-6.0	1.0	8.9	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	27.00	23.50	24.00	-4.00	-14.29	32.50	18.00	-.63	-.69	2.36	-12.39	.58	.77 Q	540.0	42.0	7.2	29.3	.00	.0	00-00-00	36.2	2.6	3.2	.8	8	1281
Ponderosa Sys	PON	19.38	17.13	17.63	-1.50	-7.84	19.38	11.75	.33	-.84	-2.88	-7.73	2.01	1.13 Q	137.8	-10.0	2.4	9.0	.40	2.3	06-11-82	353.9	8.5	1.0	20.0	17	0282
Ramada Inns	RAM	5.13	4.75	5.00	.13	2.56	9.00	4.25	.32	.50	-.97	-28.48	.05	-.75 Q	-141.5	-21.0	.4	NE	.12	2.4	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	4.25	3.88	3.88	-.13	-3.13	6.63	3.75	.21	-2.02	-3.25	11.11	.97	-.33 S	-32.3	46.0	2.4	5.6	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	28.38	27.50	27.50	.00	.00	29.25	16.00	.30	.26	-1.85	-30.40	2.36	1.07 N	49.7	18.0	1.4	8.5	.56	2.0	05-17-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	7.88	6.75	6.75	-1.00	-12.90	14.75	6.75	-.86	-1.84	3.26	.52	.68	-.08 S	-11.5	51.0	4.5	11.1	.00	.0	06-02-81	49.0	2.2	1.8	2.4	5	1281
Servico Inc	SRVI	8.75	8.75	8.75	.00	.00	9.53	6.38	.91	.75	1.84	-.48	1.54	-.46 Q	-30.6	78.0	3.5	8.4	.00	.0	07-09-82	126.4	4.4	1.1	51.0	5	1281
Shoneys Inc	SHON	18.50	18.00	18.38	.50	2.80	18.50	11.91	.15	.75	2.05	12.22	1.03	.25 S	27.1	21.0	5.5	15.7	.16	.9	03-29-82	269.4	14.8	1.0	2.0	5	1061
Sonesta Hotel	SNSTZ	10.50	10.50	10.50	.00	.00	13.50	8.50	.02	.78	-5.11	-46.38	.94	.37 Q	217.6	32.0	1.4	19.4	.20	1.9	06-25-82	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.81	2.75	2.75	.00	.00	3.13	2.38	.12	.34	-3.54	-31.97	.06	-.23 S	-79.3	-34.0	.5	45.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0961
Valles Steak	VLE	6.25	6.13	6.25	.13	2.04	6.63	4.25	-.05	.66	-6.44	-87.50	-.38	-.16 F	NE	-26.0	-1.5	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	7.75	6.75	6.75	-.75	-10.00	11.00	6.25	-.46	-1.66	-4.52	-43.27	.35	2.20 F	NE	-30.0	1.0	19.3	.00	.0	09-19-79	123.4	1.2	1.0	7.7	10	0382
Wendys Intl	WEN	18.25	16.25	16.38	-1.38	-7.75	18.75	12.25	.36	-1.17	-.47	19.45	1.52	.14 Q	10.0	18.0	7.6	10.7	.28	1.7	05-11-82	486.6	36.9	.6	3.8	8	1281
Webb Del E	WBB	7.63	6.75	7.00	.25	3.70	11.50	4.88	.65	-.74	-.45	27.47	.56	.80 Q	NE	-24.0	1.3	11.3	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281
Winners Cp	WNER	11.50	9.63	9.63	-1.13	-10.47	11.50	6.38	.28	-2.96	6.26	15.01	.67	.61 S	321.0	5.0	2.1	12.0	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Saga Corp.	12 mos. 3 mos.	6/26 6/26			$901.000 227.000	10 9	$ 16.800 2.900	45 33
Winners Corp.	6 mos. 3 mos.	6/30 6/30	$40.600 21.800	18 18			0.841 0.581	72 26
McDonald's Corp.	6 mos. 3 mos.	6/30 6/30	3.75 billion 2.00 billion	9 11			145.200 86.600	14 14
Chart House Inc.	6 mos. 3 mos.	6/30 6/30			183.114 98.300	7 9	7.387 5.000	6 7
Victoria Station Inc.	12 mos.	3/28			123.867	9	1.210	18
Sea Galley Stores	6 mos. 3 mos.	6/30 6/30	33.200 13.600	55 26			1.150 0.591	6 (5)
JB's Restaurants Inc.	40 wks. 16 wks.	7/4 7/4			33.155 14.194	17 19	1.020 0.532	37 35

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

McD's profits climb 14% in 2nd quarter

OAK BROOK, Ill.—McDonald's Corp. has reported a 14% rise in net income to $86.6 million on a 12% increase in revenues to $724.8 million for the second quarter ended June 30. Systemwide sales for the quarter were up 11% to $2 billion compared to the same period a year earlier.

For the first six months of 1982, McDonald's reported a 14% increase in net income to $145.2 million on an 11% rise in revenues to $1.3 billion. Sales for the first six months were up 9% to $3.75 billion compared to the first half of 1981.

International division sales for the first six months of 1982 were $693 million, up slightly from $647 million in the same period a year earlier. Of the 6,905 McDonald's restaurants in operation on June 30, 1,243 were outside the United States.

A McDonald's spokesman said Chicken McNuggets are now sold in 4,700 domestic units and will be in all McDonald's domestic restaurants by year's end. The company still considers McNuggets a test product; the spokesman described sales and consumer acceptance as "encouraging."

Chart House net grows 7% as revenues rise 9% in qtr.

LAFAYETTE, La.—Chart House Inc., a diversified restaurant company, said net income rose 7%, to $5 million, for the second quarter, ended June 30, over the prior year's comparable period.

Revenues for the quarter increased 9%, to $98.3 million.

Chart House owns or franchises a total of about 500 restaurants, including nearly 400 Burger Kings.

During the second quarter, the company converted two of its Cork 'n Cleaver steakhouses to its more successful Cisco's Mexican dinnerhouse concept. Chart House said this completes the schedule for Cork 'n Cleaver conversions to Cisco's. In addition, three new Cisco's were opened.

Also during the quarter, one new Burger King and three Chart House steak restaurants began operations.

Meanwhile, the company continued to push ahead with its burgeoning Luther's barbecue concept. Four franchised and two company-operated Luther's are currently under construction; when opened, they will bring the total number of Luther's to 16. Chart House also holds franchise agreements calling for the development of another 75 Luther's over the next five years.

Sea Galley net slips 5% in quarter

Company disappointed with 2nd qtr. results

MOUNTLAKE TERRACE, Wash.—Sea Galley Stores, which owns and operates 48 seafood restaurants in 10 states, posted a net income of $591,000 for the second quarter ended June 30, a 5% decrease from the prior year's comparable period.

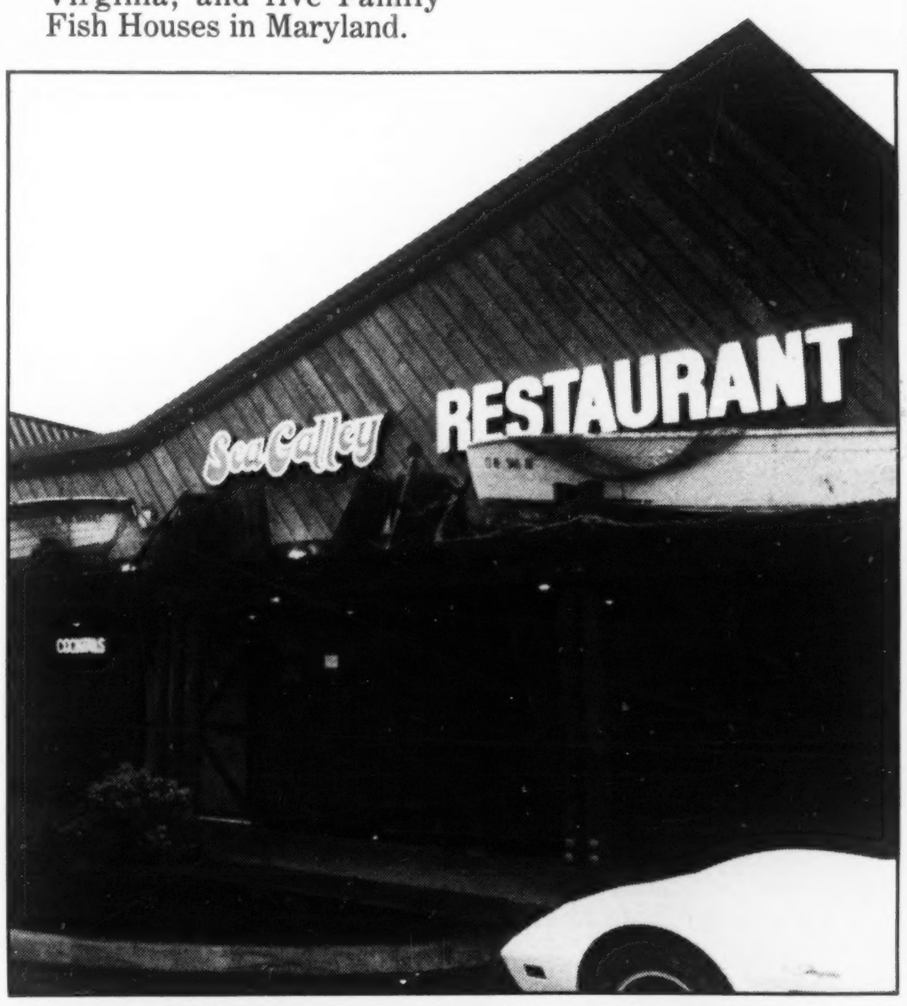
Sales rose 26%, to $13.6 million.

For the six months ended June 30, net income increased 6% to $1.15 million on sales that rose 55% to $33.2 million.

Maintaining the company was "not satisfied" with the results, Steven Dowen, president and board chairman, attributed them "largely" to the economic climate in the Pacific Northwest, where more than half of the company's units are located.

One response has been to test-market lower-priced menu items, he added.

The company operates 43 full-service Sea Galley restaurants in seven western states, Iowa, Maryland and Virginia, and five Family Fish Houses in Maryland.



Company officials have expressed their disappointment over Sea Galley Restaurants' recent financial performance.

Takeover group ups stake in Chock Full o'Nuts Corp.

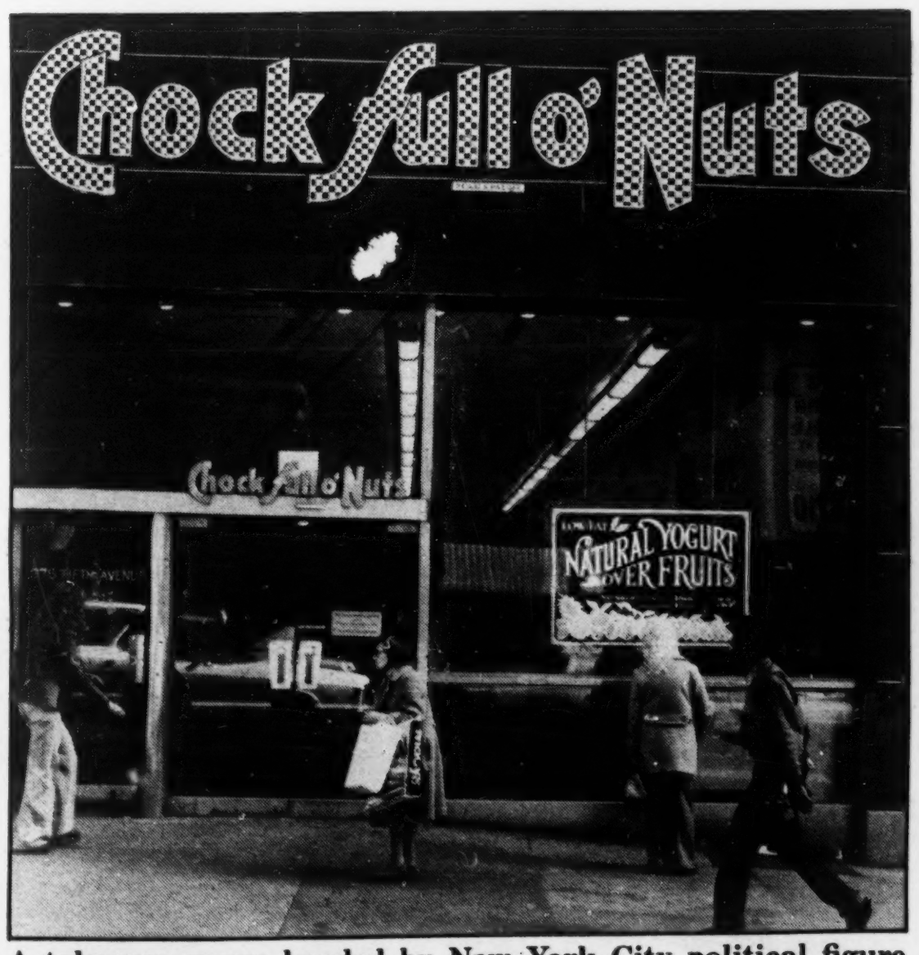
NEW YORK—Financier Jerry Finkelstein said last month that he and an investment group he leads had increased its stake in Chock Full o'Nuts Corp. to 674,100 shares, or 13.9%, from the previous 10.4%.

Three new members to the group accounted for most of the increase. Finkelstein is a local political fundraiser and chairman of the Struthers Wells Corp. He publishes the National Law Journal with his son James.

The three new members of the takeover group are Virgil Gladieux, chairman and chief executive of the Gladieux Corp., a big contract feeder; Lawrence Brinn, a lawyer, and Robert Wechsler, former president and chairman of the Wechsler Coffee Corp.

Chock Full o'Nuts, which operates about 35 coffee shops in New York, takes 80% of its sales and earnings from coffee roasting and distribution.

The group met last month with company attorneys to discuss buying stock from the company's chairman and founder, William Black, who together with his wife owns 16.7% of the outstanding shares. No agreement was reached.



A takeover group headed by New York City political figure Jerry Finkelstein raised its stake in Chock Full o'Nuts.

Winners shows 26% quarterly advance

NASHVILLE—Winners Corp., formerly Volunteer Capital Corp., reported profits increased 26% to $581,000 and sales increased 18% to $21.8 million for the second quarter ended June 30 compared to the prior year period.

For the six months ended June 30, Winners reported profits increased 72% to $841,000 and sales increased 18% to $40.6 million, compared to the same period in 1981.

Winners Corp. operates or franchises 52 Mrs. Winner's Chicken & Biscuits fast-food restaurants, 51 franchised Wendy's Old Fashioned Hamburger restaurants on the West Coast and 46 Wendy's in the East.

Weighted average unit volumes for the second quarter rose 23% to $143,000 for Mrs. Winner's, compared to the 1981 second quarter. Eastern Wendy's rose 1% to $171,000 and Western Wendy's declined 6% to $132,000.

During the second quarter the company opened two of its new upscale Mrs. Winner's stores and signed three franchise agreements for the chain. The new units are running annualized sales of $900,000, president M. V. "Buck" Hussung Jr. said.

Iceland acquires defunct Dolphin

CAMP HILL, Pa.—Iceland Seafood Corp. has acquired the equipment, formulations, processes and brand name of Cleveland-based Dolphin Seafoods, which went out of business in June. Iceland Seafood, a major supplier of fillets under the Samband label, will now also process Dolphin's line of frozen seafood products at its expanded facilities in this Harrisburg suburb.

Gudjon Olafsson, president of Iceland Seafood, will head the entire operation of the Dolphin products as well as the Samband products.

Nabisco selling Julius Wile Sons

NEW YORK—Nabisco Brands Inc. has agreed in principle to sell Julius Wile Sons & Company, its wine and spirits operation, to Whitbread & Company P.L.C., a London-based alcoholic beverage concern, for about $155 million.

The move is apparently part of a long-range plan by Nabisco to concentrate on its packaged foods business, where it is a market leader in cookies.

Since the merger of Nabisco and Standard Brands in July 1981, the company has sold off several subsidiary operations, including coffee manufacturer Chase & Sanborn, and it has leased its two corn wet-milling plants. It is also reportedly trying to sell its pharmaceutical arm.

Nabisco does not disclose its subsidiaries' revenues, but industry sources estimated Julius Wile's sales at $250 million last year.

NRN FOCUS

CHAIN ANALYSIS: PART II

CHAINS PULLING OLDER PATRONS

Research unveils new demographic look for industry

NRN Special Report

A new set of demographics is changing the face of the food service industry, comprehensive *Nation's Restaurant News* surveys indicate.

Instead of the former teenage and early 20's orientation, some 57% of burger chain customers are in the 25 to 49 age range. And 19% are over 50.

At the same time the coffee shop/family restaurants segment shows a rising 27% of its customers over 50, and 46% in the 25 to 49 bracket.

These trends are in some ways paralleling the rising age of the labor force which is seeing a higher percentage of persons in their 30's and 40's working in fast-food and coffee shop establishments.

Along with the rising ages of customers is an accompanying trend toward higher income levels. One-third of all burger chain customers are in the over $25,000 family income bracket, and almost one-third are at $15,000 to $25,000.

For coffee shops, 38% are now in the $15,000 to $25,000 bracket and 25% over $25,000. But a key segment of the coffee shop market has been hard-hit as evidenced by a slump from 37% of the customers last year to 28% in the $8,000 to $15,000 category; this is where unemployment has struck the heaviest.

Accompanying these changes in customer demographics are higher check averages, which have reached $2.45 per person for burger chains and $3.75 per person for coffee shops. But the rate of increase has slowed as food cost percentages finally dropped and menu price increases abated, rising only 5.1% for burger chains and 6.1% for coffee shops.

The averages show fairly healthy increases in average per unit sales,

(Continued on page 42)

AVERAGE BOX SCORE ON CHAINS—1979 To 1982

	Burger Chains				Family Restaurants And Coffee Shops			
	1979	1980	1981	1982	1979	1980	1981	1982
Average Check Per Person	$2.11	$2.26	$2.40	$2.45	$3.11	$3.41	$3.65	$3.75
Average Annual Sales Per Unit	$548,860	$609,648	$659,000	$728,000	$590,564	$642,356	$675,000	$743,000
Average Per Cent Food Costs to Sales	37.2%	35.5%	35.1%	34.6%	35.8%	35.1%	34.9%	32.9%
Average Per Cent Payroll Costs to Sales	23.8%	26.4%	24.8%	24.6%	26.6%	29.5%	28.8%	28.0%
Average Per Cent Pretax Profit	8.7%	5.9%	8.5%	9.0%	10.1%	4.2%	5.3%	8.2%
Average Per Cent Menu Price Increase In Last Year	+10.5%	+9.8%	+9.2%	+5.1%	+9.5%	+10.1%	+9.6%	+6.1%
Main Specialty Item	Burger	Burger	Burger	Burger	Breakfast	Breakfast	Breakfast	Breakfast
Per Cent of Sales of Specialty Item	14.6%	12.7%	11.9%	11.7%	25.1%	25.5%	26.1%	28.2%

Source: *NRN* research

June sales surge may signal end to woes

NEW YORK—Real average sales growth (adjusted for price increases) for 17 major food-service chains topped 3% in June, the best monthly sales performance in four years. This takes on added significance in view of the fact that the previous June was a relatively strong month.

These figures, compiled from extensive store surveys by Carl DeBiase of Colonia, N.J.-based Restaurant Industry Trends, may indicate that the corner has finally been turned in overcoming economic woes and achieving customer count sales increases. On the other hand, they may indicate just a temporary rebound.

Sales growth for the selected chains has been up each month for the last few months, over the same month of 1981. But in May the sales growth average for these chains was only 1.6%.

Leading the way in real adjusted sales growth for June was Wendy's, up 7%. Other big gainers were Jack in the Box, up 6%; KFC and Hardee's, each up 4%; McDonald's, up 3%; and Long John Silver's and Friendly, up 2% each.

But Church's was off 2%, and Sambo's and Taco Bell were each off 3%.

With Denny's off 1% after months of increases and Howard Johnson flat, it appears that the coffee shop segment has temporarily slumped—perhaps because of the competition with this segment's exceptionally high figures of the previous June.

"Considering that weak economic conditions still prevail," said DeBiase, "the restaurant business may for a time be more insulated from external forces than had generally been thought."

He attributed the surge to "a dramatic slowdown in inflation" along with a rise in real disposable income. Tax cuts and consumer reluctance to spend for big ticket items (cars, homes) leave more money available for "impulse purchases such as restaurant meals."

New products were said to be playing an increasing role in stimulating the surging burger chain sales and "cushioning the adverse effects of fatigued menus."

Along with the rising ages of burger and coffee shop customers is an accompanying trend toward higher income levels.

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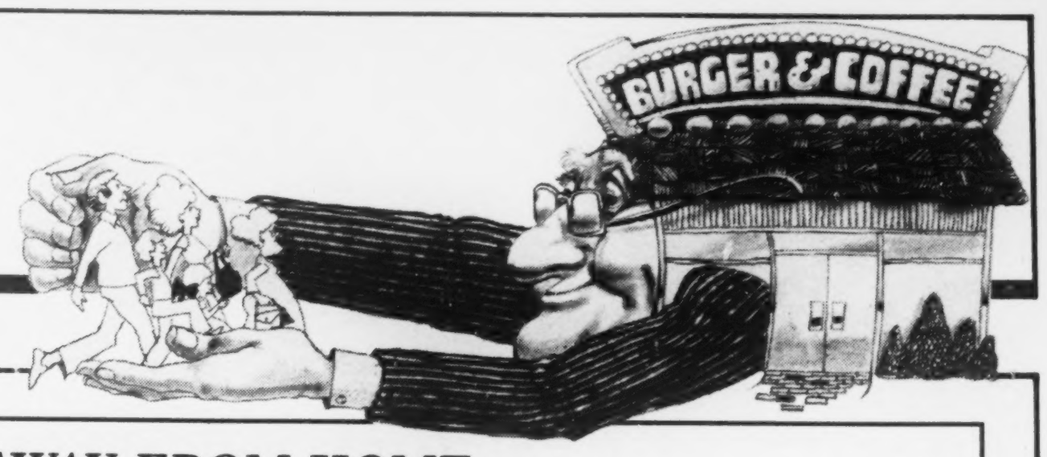

PRICE INDEX FOR FOOD AWAY FROM HOME

1977 to June 1981 (1967 = 100.0)

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978 Index	208.2	210.5	212.3	214.0	215.8	217.8	219.9	221.7	223.2	224.6	225.9	227.4
1979 Index	230.2	233.4	236.0	238.4	241.1	242.7	244.9	246.5	247.6	249.6	251.3	253.4
1980 Index	256.1	258.3	260.9	263.0	264.6	266.6	267.8	269.5	271.4	273.1	275.3	277.7
1980/1979 % change in menu price by month	11.25	10.67	10.55	10.32	9.75	9.85	9.35	9.33	9.61	9.42	9.55	9.59
1980/1979 % change in menu price year to date	11.25	10.96	10.82	10.69	10.50	10.39	10.24	10.12	10.06	9.99	9.95	9.92
1981 Index	280.9	284.7	286.1	288.2	289.3	290.6	292.4	293.7	294.8	296.2	297.2	297.7
1981/1980 % change in menu price by month	9.68	10.22	9.66	9.58	9.33	9.00	9.18	8.98	8.62	8.46	7.95	7.20
1981/1980 % change in menu price year to date	9.68	9.95	9.85	9.78	9.69	9.58	9.52	9.45	9.36	9.26	9.14	8.97
1982 Index	299.8	301.2	302.4	303.6	304.8	305.9						
1982/1981 % change in menu price by month	6.73	5.80	5.70	5.34	5.36	5.26						
1982/1981 % change in menu price year to date (cumulative)	6.73	6.26	6.07	5.89	5.78	5.69						

Source: *NRN* Research

The price index for food away from home continues to rise at a considerably faster pace than the wholesale food price index. This presents a serious challenge to food-service operators, since supermarkets are able to hold their prices fairly steady while restaurants are still showing year-to-year average 6% menu price rises. Thus while inflation has eased and menu price increases have abated, menu prices are still outpacing any supermarket price rises.

Some 80% of a typical supermarket's cost components are in the food; in effect, supermarket prices closely reflect the overall wholesale food price index but restaurant prices don't. Only 40% of a typical restaurant's costs are in food. The remainder are in labor (a most significant cost for this labor-intensive business), utilities, rental and other costs.

PRICE INDEX FOR WHOLESALE FOOD

1977 to June 1981 (1967 = 100.0)

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978 Index	193.3	198.3	199.2	204.5	206.6	208.9	210.7	206.1	209.7	213.2	211.7	215.5
1979 Index	219.7	224.5	225.4	227.5	226.4	223.9	225.0	224.5	228.2	226.8	229.9	232.1
1980 Index	231.1	235.7	234.7	231.7	237.4	237.7	245.4	253.9	254.2	258.3	259.3	253.9
1980/1979 % change in wholesale price by month	5.19	4.99	4.12	1.85	4.86	6.16	9.07	13.10	11.39	13.89	12.79	9.39
1980/1979 % change in wholesale price year to date	5.19	5.09	4.76	4.02	4.19	4.52	5.17	6.16	6.75	7.47	7.96	8.08
1981 Index	255.8	253.9	253.2	251.6	250.3	252.2	255.5	253.7	251.7	249.4	247.8	248.0
1981/1980 % change in wholesale price by month	10.69	7.72	7.88	8.59	5.43	6.10	4.12	−0.08	−0.98	−3.45	−4.44	−2.32
1981/1980 % change in wholesale price year to date	10.69	9.19	8.75	8.71	8.05	7.72	7.18	6.22	5.37	4.43	3.57	3.06
1982 Index	252.0	253.5	251.5	254.4	257.9	259.0						
1982/1981 % change in wholesale price by month	−1.49	−0.16	−0.67	1.11	3.04	2.70						
1982/1981 % change in wholesale price year to date	−1.49	−0.82	−0.77	−0.31	0.36	0.74						

Source: *NRN* Research

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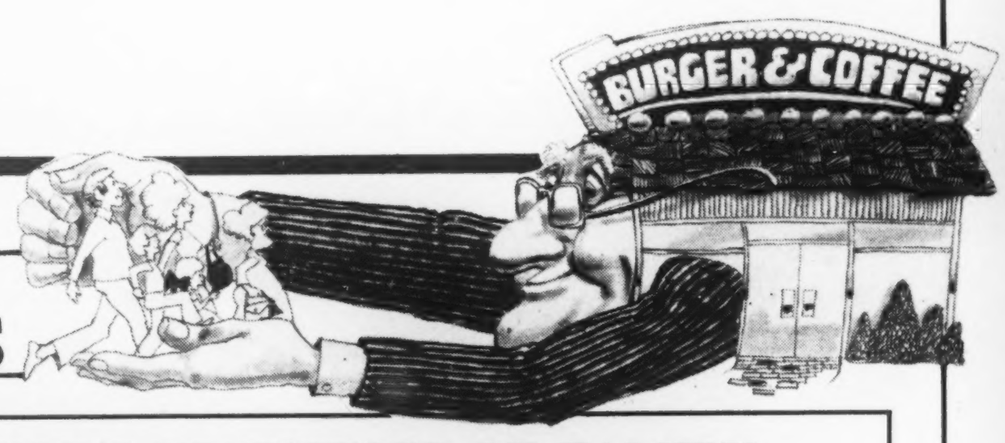

FAMILY RESTAURANTS/COFFEE SHOPS

Courting older customers; breakfast percentage dips

A strong market in the over 50's bracket is emerging for the family restaurants/coffee shops segment.

The percentage of customers over 50 who dine in coffee shops has reached 27.2% of the total. This is a prime factor in the heavy barrage of senior citizen discounts and special promotions catering to this age group.

Along with the rise in age levels has come a substantial increase in the income levels of coffee shop customers. A full 25.2% of the customers have family incomes over $25,000.

Severe competition from fast feeders is eating away at sales during the breakfast period. Breakfast items, however, are selling well in other meal periods.

Faced with severe competition from fast feeders, the percentage of breakfast period sales in the coffee shop mix has dipped to 21.1%. Lunch has held even while dinner/supper sales are off from 1981's 35% to 30.2%.

Snacks and "other" meal periods for the 24-hour operations have doubled to 16.7% of the sales mix as customers take advantage of the flexible menus and around-the-clock hours of coffee shops.

Coffee shop menu price increases have dropped to 6.1% in the past year.

Breakfast items show broad appeal

While the percentage of sales in the coffee shop mix has dropped for the morning breakfast period, it has increased from 26.1% last year to 28.2% for breakfast items themselves, which are sold 24 hours a day. This emphasizes the all-round appeal of breakfast items at any time of the day or night.

Chief gainers in the sales mix are beverages, up from 18.2% to 18.5%, and dinner items, up from 11.7% to 12.7% even though the dinner period itself is off slightly in the sales mix. (Again, the dinner/supper items are sold during other meal periods.)

Categories which apparently have slumped in the sales mix are platters and salads, off from 1981's 18.9% to 17.4%; sandwiches, off from 14.7% to 14.2%, and desserts, down from 5% to 4.4%.

Top Sellers Chart, Page 45

Study uncovers changing trends in demographics

(Continued from page 39)

outpacing menu price rises and indicating equal or higher customer counts. Burger chain average per unit sales jumped to $728,000 and coffee shops to $743,000.

With food cost percentages dropping and payroll costs holding fairly steady, average pretax profits for burger chains increased from 8.5% of sales to 9% for burger chains and jumped all the way from 5.3% to 8.2% for coffee shops.

Trying to broaden their appeal to attract more middle-aged customers, burger chains suffered a slight drop in the percentage of sales of the principal burger, from 11.9% of the sale mix to 11.7%.

Breakfast items—still the around-the-clock staple of the coffee shop business—rose from 26.1% of sales to 28.2%.

Breakfast is the fastest-growing meal period among fast feeders, going from 7.4% of the average sales mix to 9.5%. Of course, there's a lot more room to grow for breakfast than on any other meals. (Here breakfast items and breakfast as a meal period are virtually the same for fast feeders.)

Beverages and dinner items were the fastest-growing categories for coffee shops.

INSIDE STATISTICS OF FAMILY RESTAURANTS/COFFEE SHOPS

	1980	1981	1982
Cost Profile			
Menu Price Changes	10.1%	9.1%	6.1%
Food Cost*	8.2	3.5	3.2
Labor Cost Increases†	8.4	7.8	3.5
Consumer Profile			
Age Distribution			
Under 25	27.8%	29.8%	26.8%
25-49	47.1	46.3	46.0
50+	25.1	23.9	27.2
TOTAL	100.0%	100.0%	100.0%
Income Distribution			
Under $8,000	8.9%	9.1%	8.2%
$8,000-$14,999	31.9	37.3	28.5
$15,000-$24,999	35.8	35.3	38.1
$25,000+	23.4	18.3	25.2
TOTAL	100.0%	100.0%	100.0%
Sales Percentage Breakdown			
Breakfast	25.5%	24.8%	21.1%
Lunch	32.9	31.7	32.0
Dinner/Supper	33.5	35.0	30.2
Other	8.1	8.5	16.7
TOTAL	100.0%	100.0%	100.0%

*Due to wholesale price changes.

†Due exclusively to changing benefits, wages, new overtime provisions, tip credit and meal credit changes.

Source: *NRN* Research

REAL SALES CHANGES

	Average Store				Eating & Drinking Places*	Food Stores*
	Coffee Shops†	Fast Food		Total		
		Burger††	Other†††			
1979						
1st Qtr.	−2.7%	−3.5%	−0.7%	−2.0%	0.6%	−2.1%
2nd Qtr.	−7.4	−4.6	−1.2	−3.8	−4.3	0.3
3rd Qtr.	−8.0	−3.3	−0.8	−3.5	−6.0	−0.6
4th Qtr.	−5.1	−1.9	−3.2	−3.4	−2.2	−2.9
1980						
1st Qtr.	−5.6	−2.2	−3.5	−3.7	−0.7	4.6
2nd Qtr.	−3.3	−2.8	−3.0	−3.1	−2.1	3.9
3rd Qtr.	−0.2	−0.7	−1.7	−1.3	−2.5	2.7
4th Qtr.	−2.7	0.3	0.5	−0.5	−3.1	−0.3
1981						
1st Qtr.	−1.8	0.6	0.8	0.3	−0.8	−1.2
2nd Qtr.	3.7	1.6	1.9	2.2	2.1	2.4
3rd Qtr.	0.9	−0.7	1.0	0.7	1.6	3.0
4th Qtr.	−2.4	−0.1	0.6	−0.3	0.3	4.4
1982						
1st Qtr.	−3.5	−0.1	−0.3	−0.9	−0.7	2.3
2nd Qtr.	−0.9	4.9	2.0	2.2	2.3**	1.2**

†Denny's, Friendly, Howard Johnson, Sambo's

††Burger King, Hardee's, Jack in the Box, McDonald's, Wendy's

†††Church's, Dunkin Donuts, KFC, Long John's, Pizza Hut, Ponderosa, Taco Bell, Winchell's

*Government data for 1978 through 1980 was revised in March 1981.

**Estimated

Source: U.S. Department of Commerce, Bureau of Labor Statistics

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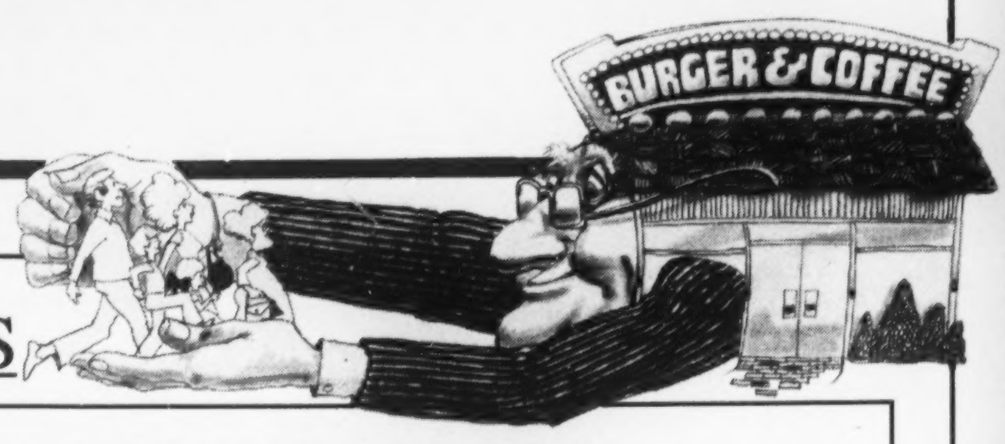

FAMILY RESTAURANTS/COFFEE SHOPS

TOP SELLERS AT FAMILY RESTAURANTS AND COFFEE SHOPS

Menu Items	Average Weekly Dollars Per Restaurant 1981	1982	Per Cent of Total Sales 1981	1982	Average Number Of Items Sold Per Week 1981	1982	Per Cent of Items Sold 1981	1982
Breakfast	$ 3,388	$ 4,028	26.1%	28.2%	1,765	1,966	16.4%	17.6%
Platters/Salads	2,453	2,486	18.9	17.4	966	925	9.0	8.3
Beverages	2,362	2,643	18.2	18.5	4,990	5,394	46.5	48.2
Sandwiches	1,908	2,028	14.7	14.2	1,179	1,153	11.0	10.3
Dinners	1,522	1,815	11.7	12.7	334	397	3.1	3.5
Desserts	649	629	5.0	4.4	676	629	6.3	5.6
Chili/Soup/Side Orders	701	657	5.4	4.6	825	730	7.7	6.5
TOTALS	$12,982	$14,286	100.0%	100.0%	10,735	11,194	100.0%	100.0%

Source: *NRN* Research

BREAKFAST: 28.2% OF 1982 SALES

Menu Items	Average Weekly Dollars Per Restaurant 1981	1982	Per Cent of Total Sales 1981	1982	Average Number Of Items Sold Per Week 1981	1982	Per Cent of Items Sold 1981	1982	Average Menu Prices 1981	1982
Eggs	$ 636	$ 644	18.7%	16.0%	344	322	19.5%	16.4%	$1.70	$2.00
Omelets	583	758	17.2	18.8	233	286	13.2	14.6	2.25	2.65
Baked Goods	207	226	6.1	5.6	296	323	16.8	16.4	0.65	0.70
Pancakes	338	366	10.0	9.1	205	209	11.6	10.6	1.50	1.75
Waffles	68	80	2.0	2.0	47	50	2.7	2.5	1.30	1.60
French Toast	70	101	2.1	2.5	44	56	2.5	2.8	1.45	1.80
Cereals	37	44	1.1	1.1	44	52	2.5	2.6	0.75	0.85
Side Orders	142	173	4.2	4.3	142	173	8.0	8.8	0.90	1.00
Meat Breakfast	629	622	18.6	15.4	185	168	10.5	8.6	3.10	3.70
Combo Breakfast	678	1,014	20.0	25.2	226	327	12.7	16.7	2.65	3.10
TOTALS	$3,388	$4,028	100.0%	100.0%	1,765	1,966	100.0%	100.0%		

Source: *NRN* Research

PLATTERS/SALADS: 17.4% OF 1982 SALES

Menu Items	Average Weekly Dollars Per Restaurant 1981	1982	Per Cent of Total Sales 1981	1982	Average Number Of Items Sold Per Week 1981	1982	Per Cent of Items Sold 1981	1982	Average Menu Prices 1981	1982
Specialty Burger	$ 747	$ 733	30.5%	29.5%	282	257	29.2%	27.8%	$2.65	$2.85
Burger Platter	320	351	13.1	14.1	136	138	14.1	14.9	2.35	2.55
Fish Platter	230	247	9.4	9.9	100	105	10.3	11.4	2.30	2.35
Chicken Platter	234	223	9.5	9.0	90	84	9.3	9.1	2.60	2.65
Chili Platter	104	104	4.2	4.2	61	56	6.3	6.0	1.70	1.85
Diet Platter	373	381	15.2	15.4	131	127	13.6	13.7	2.85	3.00
Chef Salad	346	374	14.1	15.0	128	131	13.3	14.2	2.70	2.85
Other Platters	99	73	4.0	2.9	38	27	3.9	2.9	2.60	2.70
TOTALS	$2,453	$2,486	100.0%	100.0%	966	925	100.0%	100.0%		

Source: *NRN* Research

The popularity of breakfast items remains strong but platters and salads have apparently slumped from a strong showing in 1981

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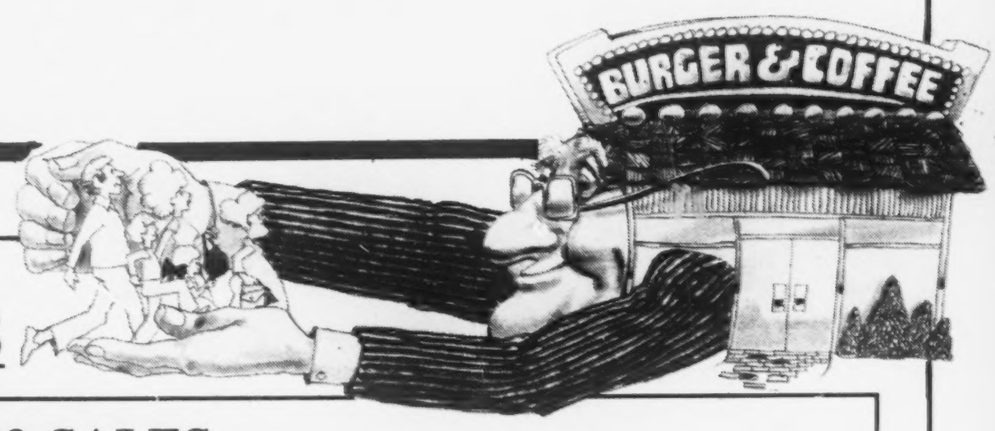


FAMILY RESTAURANTS/COFFEE SHOPS

BEVERAGES: 18.5% OF 1982 SALES

Menu Items	Average Weekly Dollars Per Restaurant 1981	1982	Per Cent of Total Sales 1981	1982	Average Number Of Items Sold Per Week 1981	1982	Per Cent of Items Sold 1981	1982	Average Menu Prices 1981	1982
Coffee	$1,042	$1,221	44.1%	46.2%	2,316	2,713	46.4%	50.3%	$0.45	$0.45
Carbonated Drinks	647	663	27.4	25.1	1,294	1,205	25.9	22.3	0.50	0.55
Milk	236	248	10.0	9.4	524	496	10.5	9.2	0.45	0.50
Juices	215	251	9.1	9.5	358	405	7.2	7.5	0.60	0.62
Tea	66	77	2.8	2.9	147	171	3.0	3.2	0.45	0.45
Iced Tea	76	100	3.2	3.8	169	222	3.4	4.1	0.45	0.45
Hot Chocolate	45	49	1.9	1.8	112	114	2.2	2.1	0.40	0.43
Other Beverages	35	34	1.5	1.3	70	68	1.4	1.3	0.50	0.50
TOTALS	$2,362	$2,643	100.0%	100.0%	4,990	5,394	100.0%	100.0%		

Source: *NRN* Research

SANDWICHES: 14.2% OF 1982 SALES

Menu Items	Average Weekly Dollars Per Restaurant 1981	1982	Per Cent of Total Sales 1981	1982	Average Number Of Items Sold Per Week 1981	1982	Per Cent of Items Sold 1981	1982	Average Menu Prices 1981	1982
Specialty Burger	$ 328	$ 456	17.2%	22.5%	164	217	13.9%	18.8%	$2.00	$2.10
Plain Burger	323	306	16.9	15.1	239	211	20.3	18.3	1.35	1.45
Cheeseburger	262	260	13.7	12.8	181	168	15.4	14.6	1.45	1.55
Bacon/Lettuce/ Tomato	148	154	7.8	7.6	82	81	7.0	7.0	1.80	1.90
Grilled Cheese	111	126	5.8	6.2	85	87	7.2	7.6	1.30	1.45
Fish	209	205	11.0	10.1	116	105	9.8	9.1	1.80	1.95
Ham	116	126	6.1	6.2	63	63	5.3	5.5	1.85	2.00
Other Sandwiches	365	353	19.1	17.4	192	172	16.3	14.9	1.90	2.05
Frankfurters	46	42	2.4	2.1	57	49	4.8	4.2	0.80	0.85
TOTALS	$1,908	$2,028	100.0%	100.0%	1,179	1,153	100.0%	100.0%		

Source: *NRN* Research

DINNERS: 12.7% OF 1982 SALES

Menu Items	Average Weekly Dollars Per Restaurant 1981	1982	Per Cent of Total Sales 1981	1982	Average Number Of Items Sold Per Week 1981	1982	Per Cent of Items Sold 1981	1982	Average Menu Prices 1981	1982
Steaks	$ 344	$ 356	22.6%	19.6%	55	57	16.4%	14.4%	$6.25	$6.25
Chicken	277	365	18.2	20.1	70	87	20.9	21.9	3.95	4.20
Chopped Steak	105	136	6.9	7.5	27	35	8.1	8.8	3.90	3.90
Roast Beef, Turkey	235	273	15.5	15.0	50	58	15.0	14.6	4.70	4.70
Shrimp	199	243	13.1	13.4	41	49	12.3	12.3	4.85	4.95
Other Seafood	264	344	17.3	19.0	66	86	19.8	21.7	4.00	4.00
Other Dinners	98	98	6.4	5.4	25	25	7.5	6.3	3.90	3.90
TOTALS	$1,522	$1,815	100.0%	100.0%	334	397	100.0%	100.0%		

Source: *NRN* Research

Overall sandwich sales showed a slight decline in 1982 despite a marked increase in specialty burger sales over 1981 levels

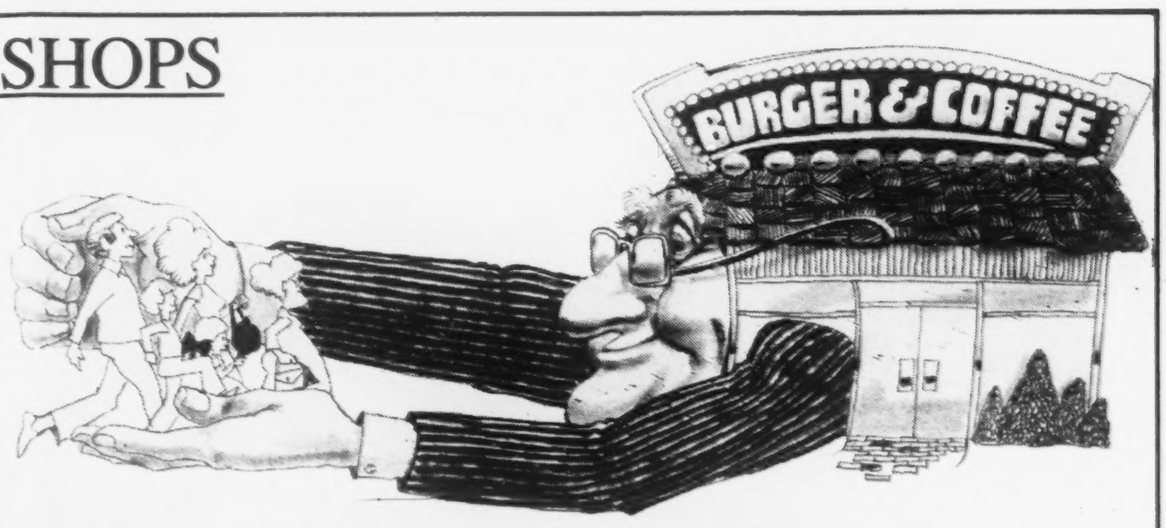
NRN FOCUS

FAMILY RESTAURANTS/COFFEE SHOPS

OPERATING HIGHLIGHTS OF FAMILY RESTAURANTS/ COFFEE SHOPS

	1981	1982
Food Sales	100.0%	100.0%
Food Cost	34.9	32.9
Supplies	3.1	3.1
Labor	28.8	28.0
Utilities	3.9	4.5
Advertising, Promotion	3.6	3.5
Administrative, General	7.0	6.5
Repairs, Maintenance	1.1	1.2
Rent, Property Tax Insurance	8.1	8.0
Depreciation	2.6	2.7
Interest	1.6	1.4
TOTAL	94.7	91.8
Pretax Profit	5.3	8.2

Source: *NRN* Research



Pretax profits show significant gain

Pretax average profits for family restaurant/coffee shop chains soared from 5.3% of sales to 8.2% this year on the heels of declines in food and labor cost percentages.

This relative prosperity for the coffee shop chain market is sparked by a drop in food costs from 34.9% to 32.9% of sales and in labor costs, from 28.8% to 28%.

These costs seemed to stabilize while average unit sales increased, leading to the considerably higher profit margins.

Utility costs remained a heavy expense item, jumping from 3.9% of sales to 4.5%. It is no wonder that coffee shop chains are at the center of experiments in solar energy which could sharply reduce utility costs.

With food and labor cost percentages declining, pretax average profits for family restaurants/coffee shops soared to 8.2%.

FAST-FOOD HAMBURGER CHAINS

Unit sales climb; breakfast, specialty sandwiches set pace

Average per unit sales for burger chains have jumped to $14,002 a week, up 9% from last year. The new figure represents over $700,000 annual sales.

Some of the burger chains—most notably McDonald's and White Castle—are well over $1 million in average annual unit sales—while others such as Burger King and Wendy's are hovering in the $700,000 range. Still others are in the $500,000 to $600,000 category.

Breakfast items moved up the fastest, jumping from 7.4% of the average sales mix to 9.5% as more chains capitalize on breakfast to achieve maximum productivity on their space and as consumers become more attuned to the idea of eating breakfast out.

A trend toward all types of specialty sandwiches, beyond burgers, has proliferated with "other sandwiches" now accounting for a greatly increased 4% of the average sales mix. But chicken sandwiches slipped slightly to 8.3% and fish sandwiches to 2.5%.

Desserts inched up to 2.2% of the mix but still are not as hefty a

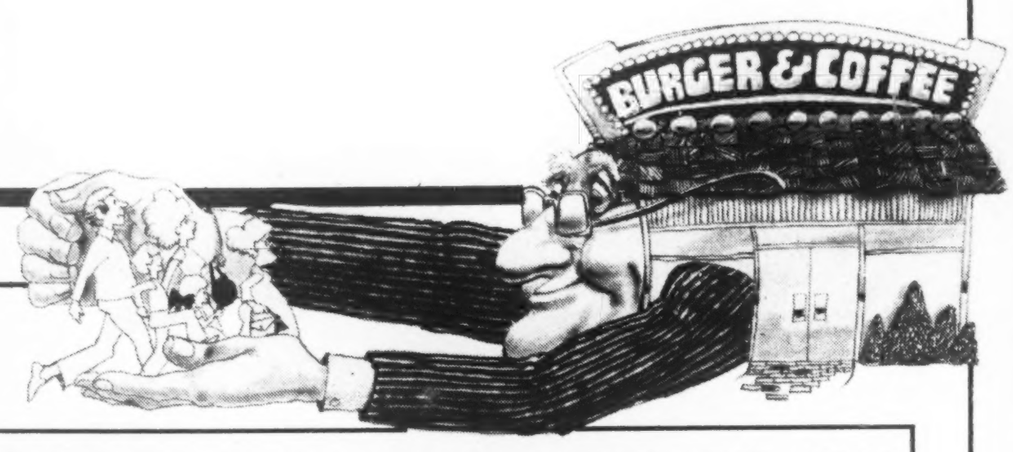
(Continued on page 55)

SALES AT BURGER CHAINS

Menu Items	Average Weekly Dollar Sales Per Restaurant 1981	1982	Per Cent Of Total Sales 1981	1982	Average Number Of Items Sold Per Week 1981	1982	Per Cent Of Items Sold 1981	1982	Average Menu Prices 1981	1982
Principle Specialty Burger	$ 1,534	$ 1,638	11.9%	11.7%	1,162	1,170	8.0%	7.7%	$1.32	$1.40
Principle Specialty Burger With Cheese	1,128	1,190	8.7	8.5	778	778	5.3	5.2	1.45	1.53
Hamburger, All Other, Plain	1,115	1,218	8.6	8.7	1,032	1,107	7.1	7.3	1.08	1.10
Cheese Burger, All Other, Plain	912	980	7.1	7.0	766	803	5.3	5.3	1.19	1.22
Chicken	1,128	1,162	8.7	8.3	594	581	4.1	3.8	1.90	2.00
Fish Sandwich	380	350	2.9	2.5	339	292	2.3	1.9	1.12	1.15
Other Sandwiches	323	560	2.5	4.0	190	320	1.3	2.1	1.70	1.75
Combination Platter	647	700	5.0	5.0	264	280	1.8	1.8	2.45	2.50
French Fries	1,616	1,722	12.5	12.3	2,566	2,733	17.6	18.0	0.63	0.63
Carbonated Beverages	1,867	1,918	14.6	13.7	3,662	3,761	25.1	24.8	0.51	0.51
Milk	51	42	0.4	0.3	138	114	1.0	0.8	0.37	0.37
Coffee	329	322	2.5	2.3	889	826	6.1	5.5	0.37	0.39
Milkshakes	545	448	4.2	3.2	778	640	5.3	4.2	0.70	0.70
Desserts	253	308	2.0	2.2	486	560	3.3	3.7	0.52	0.55
Breakfast Items	950	1,330	7.4	9.5	785	1,064	5.4	7.0	1.21	1.25
Other Items	127	114	1.0	0.8	149	134	1.0	0.9	0.85	0.85
TOTALS	$12,905	$14,002	100.0%	100.0%	14,578	15,163	100.0%	100.0%	—	—

Source: *NRN* research

NRN FOCUS



FAST-FOOD HAMBURGER CHAINS

New strategies taking hold as customer base changes

The typical customer of a burger chain restaurant is moving up steadily in age and income level each year. This switch in demographics poses a whole new set of challenges and opportunities for these chains.

Today's target burger chain audience is clearly in the 25 to 49 age range, which attracts an estimated average of 56.6% of all the customers. Even the over 50's bracket contains 19.1% of the customers.

Merchandising efforts are being emphasized increasingly for the over 25's with more income to spend.

Woos Adults

While chains can't ignore the 24.3% of customers under 25, merchandising and marketing efforts are being emphasized increasingly for the over 25's with more income to spend.

Income levels have soared dramatically with one-third of the fast-food customers having over $25,000 annual incomes. This trend reflects inflationary effects on salaries, the higher age levels and the wider appeal of expanded fast-food menus to a broader constituency.

Breakfast is gaining rapidly as a fast-food offering, sparked by McDonald's heavy influence and success with it. A full 10.7% of fast-food burger chain sales are being achieved at breakfast.

Menu price rises have dropped to 5.1% compared with last year. Meanwhile, only 2.9% of food costs are now attributable to wholesale price changes, and only 3.8% of labor costs are attributable to changes in wages or changes in other related factors.

Per-unit sales show improvement

(Continued from page 52)

portion of sales as some feel they potentially could be.

Coffee—an extremely high profit item—fell from 2.5% to 2.3% while carbonated beverages dropped from 14.6% to 13.7%. It is noteworthy that the average price for a cup of coffee moved from 37¢ to 39¢ while the average soft drink price stayed at 51¢.

With all the experimenting and rolling out of new items other than burgers, the principal specialty burger dropped from 11.9% to 11.7% of the sales mix and the principal specialty burger with cheese, from 8.7% to 8.5%.

Pretax profits improve; costs steady

Burger chain average food costs as a percentage of sales inched up from 34.6% to 35.1% this year, and labor costs dipped from 25.1% to 24.6%.

This gives some breathing room on the bottom line and accounts for a rise in pretax profit margins from 8.1% of sales to 9%.

Most other costs held fairly steady with rent and related expenses showing the biggest change, dropping from 8.4% of sales to 8%. Utilities held even at 3.3%.

One reason for the improved picture was a moderate increase in average per unit sales, reducing some of the percentages if the cost totals held steady.

INSIDE STATISTICS OF BURGER CHAINS

	1980	1981	1982 (Estimated)
Cost Profile			
Menu Price Changes	9.8%	8.9%	5.1%
Food Cost*	8.5	3.1	2.9
Labor Cost Increases†	8.7	6.0	3.8
Customer Profile			
Age Distribution			
Under 25 Years Old	28.1%	27.6%	24.3%
25-49 Years Old	52.9	53.9	56.6
50 Years Old +	19.0	18.5	19.1
Income Distribution			
Under $8,000	13.7%	13.5%	11.6%
$8,000-$14,999	26.1	25.0	23.2
$15,000-$24,999	37.7	34.9	32.0
$25,000 +	22.5	26.6	33.2
Sales Percentage Breakdown			
Breakfast	6.5%	8.5%	10.7%
Lunch	47.7	47.4	47.1
Dinner/Supper	37.5	37.0	36.9
Other	8.3	7.1	5.3

Source: *NRN* research

*Due to wholesale price changes

†Due exclusively to changing wages, benefits, new overtime provisions, tip credit, meal credit charges

OPERATING HIGHLIGHTS OF BURGER CHAINS

	1981	1982 (Estimated)
Food Sales	100.0%	100.0%
Food Cost	35.1	34.6
Supplies	4.1	4.0
Labor Cost, Benefits	25.1	24.6
Utilities	3.3	3.3
Advertising, Promotion	4.3	4.4
Administrative, General	6.1	6.2
Repairs, Maintenance	1.3	1.4
Rent, Property Tax, Insurance	8.4	8.0
Depreciation	2.4	2.5
Interest	1.8	2.0
TOTAL	91.9	91.0
Pretax Profit	8.1	9.0

Source: *NRN* research

ESTIMATED MONTHLY SALES OF MAJOR CHAINS

JUNE 1982

	Per cent change over previous year			
	Total Store Sales	Prices	Real Sales	Prior Month Real Sales Change
Burger King	8.0%	3.0%	4.0%	0.0%
Church's	− 1.0	0.0	−1.0	−2.0
Denny's	6.0	5.0	1.0	−1.0
Dunkin Donuts	8.0	4.0	4.0	1.0
Friendly Ice Cream	1.0	2.0	−1.0	2.0
Hardee's	12.0	3.0	9.0	4.0
Howard Johnson	3.0	5.0	−2.0	0.0
Jack in the Box	9.0	4.0	5.0	6.0
Kentucky Fried Chicken	5.0	4.0	1.0	4.0
Long John Silver	3.0	4.0	−1.0	2.0
McDonald's	9.0	4.0	5.0	3.0
Pizza Hut	12.0	5.0	6.0	7.0
Ponderosa	9.0	5.0	3.0	−1.0
Sambo's	3.0	2.0	1.0	−3.0
Taco Bell	9.0	3.0	6.0	−3.0
Wendy's	9.0	3.0	6.0	7.0
Winchell's	13.0	6.0	7.0	−1.0
Total Average	6.9%	3.6%	3.1%	1.6%

Source: Restaurant Industry Trends

Gov't study tracks fast-food franchise trends

By Ken Rankin

WASHINGTON—Sales per unit in the typical franchisee-owned fast-food restaurant will top the half million dollar mark this year—a solid $30,000 increase over last year's per unit national average, according to the latest U.S. Commerce Department projections.

But at the same time, the department's authoritative annual *Franchising in the Economy* study indicates that the cost of buying a franchised food-service outlet is also on the rise, and prospective investors have somewhat fewer choices available to them.

Although the total number of franchised restaurant chains climbed from 399 in 1979 to 425 in 1980 (the most recent year for which these totals are available), an increasing number of these companies have at least temporarily suspended sales of new franchises.

In 1979, 293 chains (73% of all restaurant franchisors) reported that they were actually issuing agreements for new franchises. By 1980 only 277 companies—less than two-thirds of the total number of chains—were still accepting new franchisees, according to the Commerce Department's survey.

The total investment necessary to buy into the average franchised food-service establishment, meanwhile, rose sharply from $155,000 in 1979 to $175,000 by 1980, the Government franchising study found. And the cheapest restaurant franchise uncovered by Commerce Department researchers that year weighed in at $40,000 vs. only $18,000 in 1979.

On the other end of the scale, the survey found that the most costly restaurant franchise during 1980 required a total investment of $2 million—up from "only" $1.2 million the year before.

The "start-up cash" required for the typical new franchised restaurant outlet is also on the upswing, according to the latest Government figures. Although prospective franchisees can still get into business for as little as $5,000 (or as much as $500,000) in "up-front" cash, the average (median) start-up cash requirement rose from $50,000 in '79 to $60,000 in 1980.

Although more than half (58%) of all new franchise agreements issued by restaurant chains during 1980 were for periods of 20 years or longer, the trend is toward shorter contract periods. Only a year earlier, 60% of these agreements provided investors with a 20-year-or-longer franchise, while only 3% offered contracts for five years or less.

By 1980, 4% of the agreements covered no more than five years and the number of chains offering perpetual or "lifetime" franchises fell from 36 to 31. By far, the largest number of restaurant franchisors (44% of the total in 1980) offer contracts which last for 20 years.

Typically, once a franchise agreement expires, the contract may be renewed at the option of the chain—but not necessarily on the original terms offered to the franchisee.

Although franchisee-rights groups are seeking Federal and state legislation to require fast-food chains to renew agreements after the original contract term elapses, the latest Commerce Department statistics indicate that most food-service franchisors routinely renew these agreements even without such legislation.

Of 933 restaurant franchise agreements which became eligible for renewal during 1980, 89%—832 contracts—were ultimately extended for an additional term. Of the remaining 101, 77 were not renewed either by mutual consent or because the franchisee chose not to renew. Throughout the country, only two dozen franchisees were not renewed because of a unilateral action by the franchisor during 1980.

A considerably larger number of fast-food franchisees were terminated by their franchisors before the end of their franchise agreements, however. During 1980, Commerce Department surveys indicate that the nation's food-service franchisors acknowledged terminating 589 franchisees for a variety of contract violations.

Nearly half of these terminations were a result of nonpayment or financial default by the franchisee, while less than 4% (22) involved alleged quality control violations by operators.

Although the number of these franchisor terminations is small in relation to the 42,133 restaurant franchises in operation across the country in 1980, the termination rate did climb by more than 17% since 1979, according to the Commerce Department statistics.

Despite continuing high interest rates and a bleak economic outlook for many parts of the country, the nation's restaurant franchisors are anticipating solid growth this year.

In response to the Commerce Department's annual *Franchising in the Economy* survey, fast-food chains expect to post a net gain of more than 5,000 new units during 1982.

The majority of the new outlets projected for the current year will be franchisee-owned, and the total number of independently operated franchised restaurants is scheduled to rise 9.4% from 44,849 during 1981 to 49,081 by the end of this year.

Company-owned and operated units are projected to increase by 7.3% this year to a total of 20,056, according to the Government surveys.

Total franchised restaurant sales are expected to climb even faster in 1982, up 15.6% to nearly $36.5 billion—one third of all United States restaurant industry dollar volume.

Sales in company-owned establishments figure to increase 13.9% to $11.7 billion during 1982, while dollar receipts of franchisee-owned units is targeted for a strong 16.4% increase to almost $24.8 billion this year.

California remains home territory for nearly 1 out of every 10 of the nation's franchised restaurant establishments, with Texas a close second. These two states, along with Ohio, Illinois, Florida, Michigan, New York, Pennsylvania and Indiana accounted for half of the franchised food-service outlets in operation in 1980.

In terms of growth, however, the Sunbelt remains the most fertile expansion territory for fast-food franchisors. According to the Commerce Department, over 40% of the new units opened during 1980 were in Alabama, Florida, Arizona and Oklahoma.

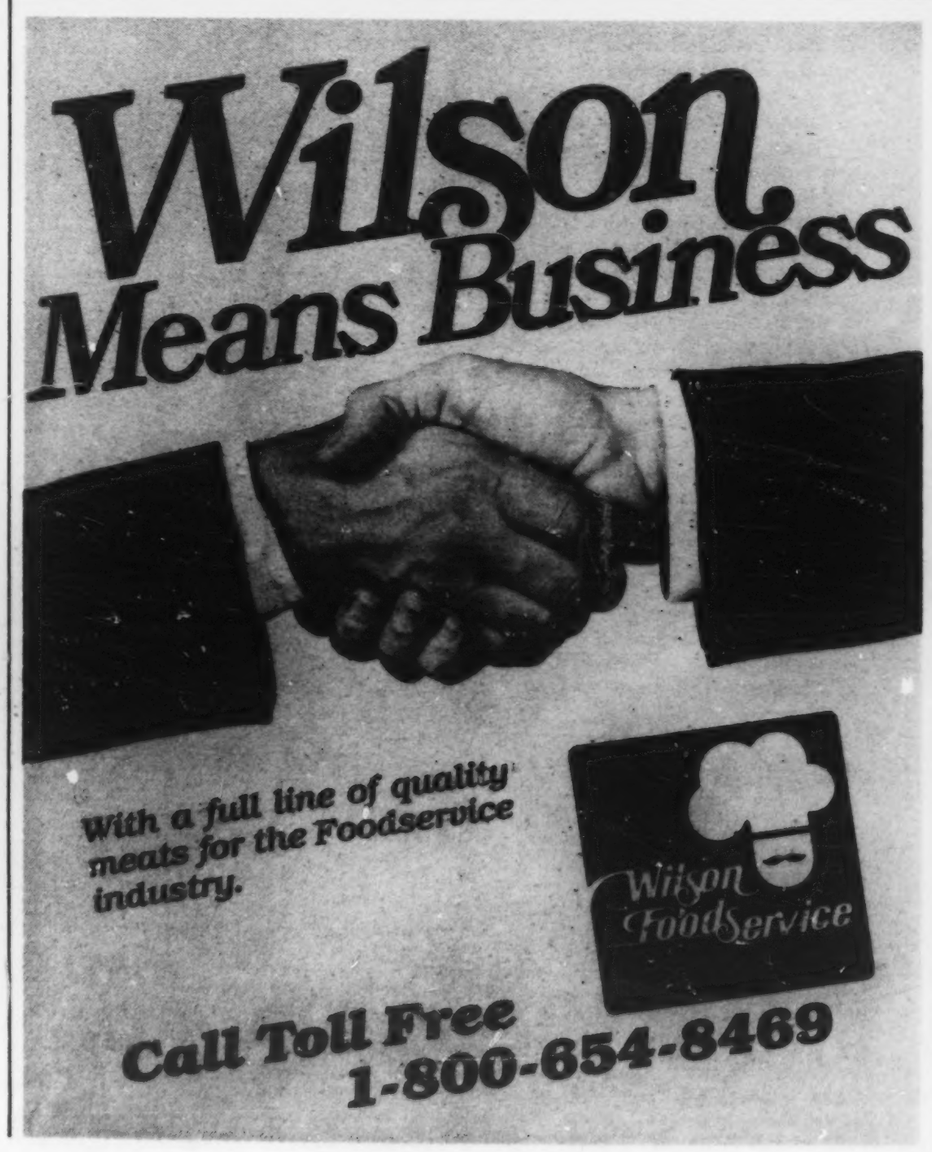
Find out what investment opportunities exist in the $32 billion franchised restaurant industry in the **FRANCHISING OPPORTUNITIES** *supplement appearing in our Aug. 30 issue.*

WHERE THE FAST FOOD BOOM IS HEADING NOW

(number of establishments in 1980)

State	Company-Owned	Franchisee-Owned	Total	Increase Since 1979	Per Cent Increase in 1980
Alabama	267	829	1,096	396	42.0
Alaska	3	72	75	– 11	–13.0
Arizona	210	694	904	147	19.0
Arkansas	128	487	615	– 25	4.0
California	1,461	3,934	5,395	19	0.9
Colorado	302	741	1,043	47	5.0
Connecticut	142	296	438	8	2.0
Delaware	18	85	103	6	6.0
District of Col.	49	53	103	16	19.0
Florida	982	1,532	2,514	155	7.0
Georgia	731	1,059	1,790	78	5.0
Hawaii	60	111	171	21	14.0
Idaho	34	213	247	10	4.0
Illinois	833	1,918	2,751	77	3.0
Indiana	504	1,284	1,788	– 42	– 2.0
Iowa	173	906	1,079	– 26	– 3.0
Kansas	212	650	862	49	6.0
Kentucky	306	883	1,189	46	4.0
Louisiana	278	621	899	22	3.0
Maine	44	101	145	25	21.0
Maryland	242	464	706	56	9.0
Massachusetts	229	453	682	63	10.0
Michigan	766	1,680	2,446	79	3.0
Minnesota	313	857	1,170	6	0.9
Mississippi	87	519	606	5	0.9
Missouri	482	870	1,352	83	7.0
Montana	8	179	187	– 2	– 1.0
Nebraska	143	356	499	0	0.0
Nevada	86	158	244	10	4.0
New Hampshire	25	104	129	– 6	– 4.0
New Jersey	165	798	963	– 8	– 0.9
New Mexico	62	319	381	– 22	– 5.0
New York	545	1,551	2,096	80	4.0
North Carolina	332	1,022	1,354	64	5.0
North Dakota	10	181	191	14	8.0
Ohio	1,138	2,160	3,298	273	9.0
Oklahoma	463	738	1,201	105	10.0
Oregon	173	536	709	– 14	– 3.0
Pennsylvania	546	1,338	1,884	197	12.0
Rhode Island	37	68	105	– 2	– 2.0
South Carolina	214	552	766	22	3.0
South Dakota	23	175	198	– 1	– 0.9
Tennessee	400	876	1,276	5	0.9
Texas	1,755	3,397	5,152	24	0.9
Utah	84	240	324	– 31	– 9.0
Vermont	3	45	48	1	2.0
Virginia	385	897	1,282	4	0.9
Washington	205	669	874	– 6	– 0.9
West Virginia	156	275	431	11	3.0
Wisconsin	255	907	1,162	– 7	– 0.9
Wyoming	13	140	153	17	12.5
TOTAL U.S.	16,082	38,993	55,075	1,976	3.7

Source: U.S. Commerce Dept.'s *Franchising in the Economy*, 1980-82



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PROFILE: WILLY THEISEN

The Don of Godfather's Pizza—Pa

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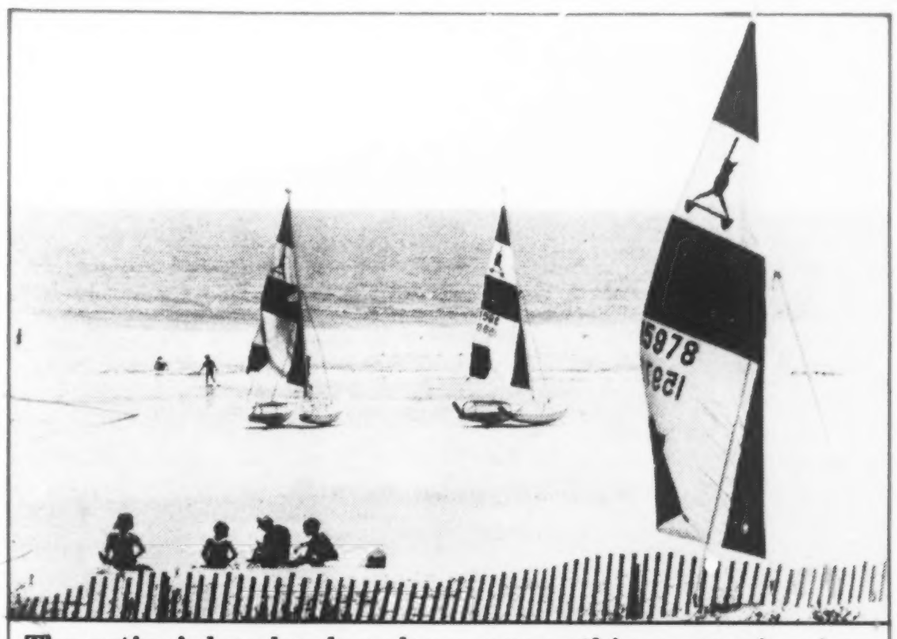

The nation's beaches have been among this summer's prime destination points, as travelers stay closer to home.

Summer vacationers staying closer to home

By Roman Czajkowsky

Apparently responding to the various pressures brought on them by the country's lagging economy, vacationers this summer are staying closer to home and spending their money more carefully than last year.

This pattern, reported by several travel and hospitality industry trackers, has so far meant mixed results for restaurant and hotel operators, who earlier in the year were optimistic about a strong summer season.

Summer vacation travel by car is expected to be up by 10% over last year's June, July and August period, according to the American Automobile Association. But vacation trips have been closer to home—usually within a radius of between 300 and 400 miles—and of shorter duration, in the range of four or five nights out.

"People are simply avoiding the grand, circuitous tours of past years," said AAA spokesman Allan Wilbur, adding: "It's a much more destination-oriented tour we're seeing."

Some of the country's prime tourist attractions have been affected.

At Disney World in Orlando, Fla., the number of day visits

(Continued on page 78)

Tax bill tradeoff preserves business meal deductibility

New plan resurrects employee tip reporting requirement

By Ken Rankin

WASHINGTON—In a dramatic legislative horse trade, restaurant industry and food-service employee union leaders agreed to accept cumbersome new tip income reporting requirements in order to preserve full tax deductibility for business meals.

The showdown over business meal tax deductions came during another marathon session at which Congressional conferees agreed to scuttle provisions of the Senate-passed tax bill slashing deductions for business meal expenses by 50%.

Instead, the conferees accepted a "compromise" hammered out between Senate Finance Committee Chairman Bob Dole (R-Kan.) and a coalition of restaurant, lodging industry and organized labor groups resurrecting Dole's original plan to require food-service operators to report employee tip income directly to Federal tax collectors.

Lobbyists for the NRA—one of the groups responsible for engineering the agreement with Dole—called the compromise "the best possible deal for the food-service industry," and a "significant improvement" over the Senate plan to restrict tax deductions for business meals.

Even so, no restaurant industry or union leaders were calling the compromise a victory, and the decision to barter away opposition to the tip disclosure scheme in order to kill Dole's "one and a half martini lunch" plan is sure to produce intense second-guessing among food-service operators over the next few months.

At presstime, the massive $98 billion tax bill still required final approval from both houses of Congress, and despite intensive efforts by President Reagan in support of the measure,

(Continued on page 77)

Latest U.S.D.A forecast

'82 food-price rises will remain moderate

NRN Special Report

WASHINGTON—Food-service operators can expect continued moderate rises in food prices throughout the last half of 1982, according to recently released U.S. Department of Agriculture forecasts. Overall food price levels during the third and fourth quarters are expected to stay in the same general range as those in the first half of the year, according to Paul Westcott, U.S.D.A. Economic Research Service economist.

For the first six months of this year, food prices rose by only 4.5% over the same period in 1981, actually falling below the 5% to 9% range estimated last December by Government economists and well within the 3% to 5% range predicted by *Nation's Restaurant News*. While individual foods showed wide variations—from a 14.5% increase for pork, to a 60% drop for dried beans—food trailed well behind overall consumer price index hikes for the first two quarters.

Outlooks for red meats are generally encouraging, with beef maintaining a fairly flat pattern through the fourth quarter and into the first quarter of 1983. Beef slaughter has leveled off and a small but gradual increase in the nation's herds is taking place due to lowered grain costs and continued good weather in the grazing areas of the West and Midwest.

(Continued on page 77)

Unemployment surge squeezing inner-city fast feeders

By Charles Forman

The anguish of the nation's inner city ghettoes is being clearly reflected on the balance sheets of the chain fast-food operators who hawk their wares among the poor. This was especially evident last month as the unemployment rate resumed its upward climb.

Not only do inner city operators find business flat or declining, but almost without exception they say they are facing escalating security problems that they attribute directly to unemployment.

Almost all saw current conditions in the same dim light as Frank Portillo, president of Brown & Portillo, Oak Brook, Ill., operator of about 150 company-owned and franchised Brown's Fried Chicken restaurants.

Portillo said: "I've been in this business 25 years and you'd have to say a down economy and unemployment are having their effect.

"Our sales are flat," Portillo said. "We're not getting those 15% gains we used to. The check average is identical to last year's but," he jested, "the number of them has gone down."

Portillo cited what he called underemployment as another cause of business downturn. He said underemployed people were those still working but earning less.

"It's a man who sells autos. He used to sell 100. Now he's selling one."

Despite hardship and fear the pinch on ghetto operators pocketbooks has as yet little of the disheartening aspect of the pinched looks on the faces of many of the workless.

Don Doyle, KFC marketing chief and senior vice president, spoke for most of those interviewed when he said: "It's not that it's become diseconomic [ghetto business]; it's just that the growth has slowed down."

Doyle said he first began to notice the falloff last fall. "In September-October it started to get soft." He pointed to Chicago and Detroit as particular trouble spots for KFC.

The downturn in business Doyle spotted coincides roughly with last August's first of several large increases in the monthly unemployment rate as reported by the Department of Labor.

In July of last year unemployment stood at 7.2%. This spring it had risen to 9.5%, held steady for several months, then jumped to 9.8% last month.

(Continued on page 77)

While sales at New York City Popeyes units have been increasing, a surge in crime has been attributed to high unemployment.

LATE NEWSBREAKS

A strike by 1,800 members of Monterey, Calif.'s Local 483, Hotel Employees and Restaurant Employees International, has forced temporary hiring of nonunion workers. At presstime managements feared escalating strike activity; seven hotels and one restaurant were being picketed. At issue is the union's demand for a 50% wage and benefit increase over three years.

Bonanza, franchisor of 592 budget steakhouses reported a net profit of $507,000 for the second quarter ended June 27, compared with a loss of $1.7 million for the same period last year. Sales for the quarter shrunk slightly to $94.6 million, which was attributed to shutdowns of marginal units.

Arby's is testing a chicken breast sandwich at company stores in Lexington and Louisville, Ky. Served with lettuce and mayonnaise on a poppyseed egg bun, the sandwich sells for approximately $1.69

FINANCIAL NEWS

Sea Galley's 2nd-quarter profits off slightly

By Rick Martin

MOUNTLAKE TERRACE, Wash.—Sea Galley Stores has reported a 5% drop in profits to $591,000 for the second quarter ended June 30 compared to the same period last year. Sales in the quarter were up 26% to $17.2 million. For the first half of the current fiscal year, Sea Galley restaurants recorded $33.2 million in sales, up 55% from last year's six-month figures. Net profits rose 6% to $1.1 million for the same period.

Last year Sea Galley's profits rose 74% over 1980 to $2.2 million. The 48-unit seafood chain, continuing to grow at the rate of about one new unit per month, began to feel the effects of recession this year. Counts are down and average annual store sales (now about $1.5 million) are off by about $100,000.

Acquisition last year of the 31-unit Family Fish chain in the Washington, D.C., area has had the single biggest effect on the company's growing revenues, according to Dennis Wassman, Sea Galley's newly appointed executive vice president and chief operating officer. The company has sold off 21 of the Family Fish restaurants to cover the costs of the acquisition and has thus far converted five of the remaining 10 units to the Sea Galley concept.

Wassman indicated that the company is not altogether satisfied with its earnings performance so far this year. However, it expects to close out 1982 with big gains from chainwide rollout of a new $4.95 dinner special, which boosted business by as much as 40% in some stores during a test in three markets. Television advertising of the special will be handled by the company's own Seacrest Marketing division.

Earlier this year Sea Galley acquired a fish processing plant in Alaska and a meat and grocery distribution center in Seattle. The company operates its own construction division to design and build restaurants. Establishment of Seacrest Marketing came about after Sea Galley ended a nine-month association with the J. Walter Thompson firm.

Wassman, former senior vp of finance, said that the company may increase its annual revenues by $15 million as a result of business generated through fish, meat and grocery sales to competitors.

The especially sluggish economy in the Pacific Northwest, where Sea Galley has the greatest concentration of its restaurants, seems not to worry company management, although Wassman admits that it is "difficult with a soft economy to keep your margins together."

The average Sea Galley restaurant serves from 200 to 400 dinners on weeknights and 600 to 700 on weekends; the average check, including liquor, is $8.35 at dinner and $4 at lunch. Since introducing the $4.95 special, counts are returning to the 700 to 800 dinners-per-night range of previous years. The dinners in the $4.95 test were broiled salmon, fried shrimp and a fish and chips dinner of either halibut or salmon. Shrimp was selected for the first promotion.

The company's inability to spur greater lunchtime patronage is a fact of life management can't do much about. "It's hard to be a dinner house and lunch house," Wassman said, "because you've got demographics working against you—we situate our restaurants where people live, not where they work."

Sea Galley's menu features as many as 20 seafood entrees, grouped by price range—a half dozen entrees are listed under each of three categories: $5.95, $6.95 and $7.95. Prime rib, three steak dishes and a steak and lobster combination are available, as are three varieties of crab legs: Snow, Dungeness and King. Other items are a Surf Plate (a combination of crab, shrimp, scallops and other fish), steamed clams and a Steak Neptune dish of sirloin topped with crabmeat and bearnaise.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Aug. 13							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.50	5.00	5.00	.00	.00	8.00	3.50	1.63	-.30	-.96	-8.97	.47	-.48 S	-109.0	-5.0	4.3	NE	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	17.50	15.88	16.38	-.50	-2.96	20.88	10.00	-.40	-1.32	-.44	-8.05	1.66	.41 N	26.2	34.0	6.3	8.3	.22	1.3	08-10-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	28.88	26.00	27.00	-1.00	-3.57	32.50	23.50	.15	.15	4.83	59.28	4.00	-1.28 N	-27.0	-2.0	1.5	7.8	2.00	7.4	08-26-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.75	5.00	5.13	-.50	-8.89	6.50	4.88	-.08	.52	4.31	-59.41	.66	-.01 N	-1.5	-10.0	2.6	8.1	.12	2.3	06-08-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5.25	4.63	5.00	-.13	-2.44	6.50	2.88	-.35	1.70	-1.45	32.56	.62	.11 S	18.9	32.0	2.4	7.2	.00	.0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	24.00	21.50	23.75	-.25	-1.04	27.00	17.75	.00	2.53	.66	-5.03	1.60	.22 Q	15.9	24.0	7.9	14.8	.40	1.7	08-02-82	173.4	13.7	1.7	.0	8	0482
Bonanza Intl Inc	BNZA	2.13	1.63	1.63	-.38	-18.75	3.00	1.06	.67	-2.48	-1.18	-13.28	-3.33	-2.56 S	NE	-65.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	12.50	9.63	10.00	-1.50	-13.04	17.50	9.63	-.57	-3.31	6.26	-4.47	.59	.40 S	129.0	24.0	4.3	14.1	.10	1.0	06-29-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	8.50	8.25	8.25	-.50	-5.71	9.00	7.16	.20	-.04	-.89	-29.41	1.11	.11 Q	11.8	5.0	3.2	7.9	.20	2.4	07-29-82	37.0	1.2	.6	1.5	2	0282
Carrols Develop	CRL	5.75	5.00	5.00	-.50	-9.09	6.38	3.97	-.07	-1.81	2.05	22.53	.86	.72 N	163.6	35.0	2.4	4.3	.09	1.8	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.13	17.25	17.25	-2.63	-13.21	22.25	15.25	.07	-1.54	-2.06	-17.98	2.03	.23 S	12.4	14.0	5.0	8.3	.60	3.5	06-24-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	17.38	13.13	13.13	-4.13	-23.91	18.75	10.09	-.48	-3.06	5.03	15.38	.55	.22 F	66.6	34.0	11.1	23.9	.00	.0	06-28-82	14.9	2.1	3.1	1.1	1	0481
Ch Full O Nut	CHF	17.25	14.38	16.00	-.75	-4.48	17.50	9.00	.63	2.27	.13	-10.28	.66	-.44 N	-51.1	20.0	2.7	38.1	.40	2.5	07-01-82	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	27.38	25.13	25.75	-.88	-3.29	33.50	25.00	.10	.42	1.68	16.27	3.52	.15 S	4.6	17.0	10.8	7.6	1.00	3.9	07-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3.00	2.88	3.00	.13	4.35	3.63	2.50	.55	1.32	8.72	38.48	-.06	1.37 F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.2	0	1281
Collins Foods	CF	13.88	11.25	13.38	.88	7.00	14.38	7.75	.01	3.14	-3.32	-29.93	1.69	.54 F	46.9	13.0	3.2	7.9	.20	1.5	07-19-82	298.0	9.6	1.3	7.4	11	0482
Consul Corp	CNSL	7.00	5.88	5.88	-1.00	-14.55	8.38	5.25	-.13	-.25	.35	-30.10	-.08	.12 S	NC	NE	-1.5	49.0	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	9.75	9.25	9.25	-.25	-2.63	11.00	7.25	.09	.00	-2.50	-15.09	1.00	1.01 S	NC	21.0	3.2	9.2	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	26.75	22.38	24.00	-2.13	-8.13	28.50	14.75	-.32	-.05	-.82	-5.50	1.97	.77 N	49.6	6.0	3.2	10.3	.64	2.7	06-04-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	17.50	15.75	15.75	-1.50	-8.70	17.50	11.13	.56	-2.83	2.38	3.99	1.82	.26 S	15.2	-19.0	8.3	8.0	.36	2.3	08-09-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	10.00	8.25	8.75	-.50	-5.41	11.63	5.78	-.67	.69	-3.26	-9.00	1.87	.50 F	36.4	13.0	3.6	4.7	.38	4.3	06-29-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	6.50	5.50	5.50	-1.00	-15.38	8.25	5.00	-.77	-2.32	4.17	-42.50	1.35	1.08 F	400.0	-13.0	3.2	4.1	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	1.50	1.50	1.50	.00	.00	5.25	1.38	.28	.20	7.76	-95.35	-2.22	-3.88 S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	32.38	27.63	27.75	-4.38	-13.62	42.25	27.63	-.15	-2.45	.11	10.86	4.22	-.37 S	-9.0	22.0	20.9	7.4	1.80	6.5	08-30-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	27.88	24.50	24.88	-1.88	-7.01	30.13	21.88	.01	-1.74	1.08	7.96	3.66	1.20 S	47.8	25.0	7.8	6.7	.80	3.2	06-10-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	38.50	38.50	38.50	-5.50	-12.50	44.50	33.00	.39	-2.81	-12.07	-50.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17.75	14.38	15.38	-2.25	-12.77	19.25	7.28	-.17	-2.03	.61	23.81	1.05	.13 Q	14.6	30.0	2.7	15.1	.00	.0	01-11-82	166.1	4.5	1.7	12.6	7	1281
Hungry Tiger	HTIG	10.25	8.75	8.75	-1.50	-14.63	10.25	6.00	.68	-1.69	3.35	-34.72	.92	.18 N	20.4	41.0	3.2	8.3	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.81	1.63	1.63	-.06	-3.70	1.88	1.06	-.07	-.55	-.65	-37.50	.24	.00 F	.0	2.0	2.0	6.8	.14	8.6	02-24-82	8462.9	171.0	1.1	.7	2	1081
Intl Dairy Queen	INDQ	14.00	13.50	14.00	.50	3.70	14.00	9.25	.71	.49	1.91	35.34	1.72	.34 S	22.5	38.0	6.1	7.6	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3.75	3.50	3.50	-.25	-6.67	3.75	1.75	.24	.09	-4.56	48.60	-.65	1.06 N	NE	-36.0	-3.1	18.4	.00	.0	10-03-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	7.00	5.75	5.75	-1.50	-20.69	7.63	2.88	-.23	-1.96	-.56	28.34	.63	.29 N	53.7	1.0	3.0	6.9	.16	2.8	08-09-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	18.38	16.00	16.00	-2.25	-12.33	24.50	15.63	-.60	-1.76	1.40	-8.47	1.75	.07 F	4.1	20.0	5.1	9.1	.12	.8	05-10-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3.75	3.38	3.63	.00	.00	4.50	3.38	-.17	.00	8.36	-34.80	-.24	-.46 S	-575.0	-33.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	18.50	15.50	15.50	-3.00	-16.22	19.25	10.75	-.36	-2.20	1.53	-.80	.89	.27 Q	42.8	111.0	8.1	17.2	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Karcher Carl	CARL	13.88	12.00	12.00	-1.88	-13.51	14.88	8.88	-.11	-.96	-2.23	-16.26	1.51	1.68 Q	NC	17.0	3.4	7.1	.00	.0	00-00-00	200.6	6.9	1.9	6.4	8	0182
Lubys Cafe	LUB	27.63	25.63	26.88	-.50	-1.83	32.00	23.50	-.16	.95	2.74	-37.01	1.45	.25 N	18.1	23.0	9.1	16.5	.60	2.2	09-03-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	7.25	7.13	7.13	.00	.00	7.25	5.00	.82	-.45	.28	36.03	1.15	.04 N	3.5	7.0	5.8	6.1	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	38.13	33.25	33.50	-3.13	-8.53	40.25	31.63	.37	-1.55	-3.05	1.37	3.20	.37 S	12.6	30.0	4.3	10.2	.30	.9	09-20-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	74.63	68.50	69.50	-3.75	-5.12	77.25	56.75	-.02	-.22	-.83	-29.45	6.54	.95 S	15.7	18.0	10.7	9.9	1.20	1.7	07-20-82	2477.2	264.8	.5	23.0	34	1281
Morrison Inc	MORR	12.00	11.25	11.25	-.50	-4.26	12.25	8.13	.24	-1.01	-.69	.00	1.16	.21 F	22.1	8.0	4.1	9.7	.36	3.2	07-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.00	1.75	1.75	-.25	-12.50	3.75	1.75	-.50	-.34	-.24	-9.34	.22	-.46 N	-287.5	-22.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	.81	.81	.81	.00	.00	1.88	.63	-.92	.00	1.69	-63.75	.03	.90 F	NE	NE	.6	27.1	.00	.0	00-00-00	16.7	.1	.5	.1	2	0382
Oakbrook Cons	OKCO	9.00	9.00	9.00	-.25	-2.70	11.25	9.00	.14	-.56	-19.35	.00	1.74	-.83 N	-47.9	3.0	1.3	10.0	.32	3.6	06-08-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	5.00	4.63	4.88	.13	2.63	11.38	4.63	-.88	1.18	-2.21	-48.88	1.01	-.81 N	-84.3	24.0	5.4	32.5	.20	4.1	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	13.75	13.50	13.75	.13	.92	18.13	13.50	-.43	.31	3.66	15.74	1.30	.14 N	10.7	15.0	6.1	9.5	.56	4.1	09-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	4.88	4.50	4.63	-.25	-5.13	8.88	4.50	-.25	-1.59	1.57	26.58	.50	-.02 Q	-3.5	-6.0	1.0	8.4	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	24.25	20.25	20.25	-3.75	-15.63	32.50	18.00	-.96	-1.23	-.13	-6.95	.58	.90 S	529.4	41.0	7.2	18.9	.00	.0	00-00-00	36.2	2.6	3.2	.8	8	1281
Ponderosa Sys	PON	18.38	14.38	15.25	-2.38	-13.48	19.38	11.75	-.41	-1.98	-3.16	-19.32	2.01	1.13 Q	137.8	-10.0	2.4	7.8	.40	2.6	06-11-82	353.9	8.5	1.0	20.0	17	0282
Ramada Inns	RAM	5.00	4.50	4.63	-.38	-7.50	7.38	4.25	.21	-.06	1.04	-19.49	.05	-.75 Q	-141.5	-21.0	.4	NE	.12	2.6	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	4.00	3.25	3.50	-.38	-9.68	6.00	3.25	-.13	.67	6.86	-58.91	.97	-.33 S	-32.3	46.0	2.4	5.1	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	27.75	25.00	25.00	-2.50	-9.09	29.25	16.00	-.13	-.40	-.88	-40.15	3.35	.99 F	41.9	19.0	1.9	7.5	.56	2.2	08-16-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	7.13	6.75	6.75	.00	.00	13.38	6.75	-.82	.00	-4.55	-24.63	.68	-.08 S	-11.5	51.0	4.5	11.1	.00	.0	06-02-81	49.0	2.2	1.8	2.4	5	1281
Servico Inc	SRVI	8.50	7.50	7.50	-1.25	-14.29	9.09	6.38	.33	-1.96	-1.57	-3.91	1.54	-.46 Q	-30.6	78.0	3.5	7.2	.00	.0	07-09-82	126.4	4.4	1.1	51.0	5	1281
Shoneys Inc	SHON	18.88	16.88	16.88	-1.50	-8.16	18.88	11.91	.17	-2.18	-.21	-24.94	1.03	.25 S	27.1	21.0	5.5	14.4	.16	.9	06-28-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	11.00	10.50	11.00	.50	4.76	13.00	8.50	.23	1.35	6.46	1.89	.94	-.66 S	-37.0	43.0	1.4	9.8	.20	1.8	06-25-82	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.75	2.75	2.75	.00	.00	3.13	2.38	.25	.11	2.96	-14.55	.06	-.23 S	-79.3	-34.0	.5	45.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	6.63	5.88	6.50	.25	4.00	6.63	4.25	.26	1.51	-2.28	32.14	-.38	-.43 Q	NE	-36.0	-1.5	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.7	10	0381
Victoria Stations	VSTA	6.88	5.75	5.75	-1.00	-14.81	11.00	5.75	-.70	-1.16	.68	-17.58	.35	2.20 F	NE	-30.0	1.0	16.4	.00	.0	09-19-79	123.4	1.2	1.0	7.7	10	0382
Wendys Intl	WEN	17.38	14.38	15.38	-1.00	-6.11	18.75	12.25	-.19	.28	-.73	-8.39	1.52	.14 S	9.7	18.0	7.6	9.7	.28	1.8	05-11-82	486.6	36.9	.6	3.8	8	1281
Webb Del E	WBB	7.13	6.13	6.25	-.75	-10.71	10.75	4.88	-.02	-.05	-.18	-16.27	.56	.64 S	NE	-28.0	1.3	16.0	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281
Winners Cp	WNER	9.75	9.25	9.25	-.38	-3.90	11.50	6.38	-.20	.00	1.58	-8.89	.67	.61 S	321.0	5.0	2.1	11.6	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

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BEST AVAILABLE COPY

Profit margins plunge in slack second quarter

Some analysts predict rebound by next year

By Rurick Telberg

Profit margins at food-service and lodging companies continued to erode in the second quarter but chief financial officers saw reason to hope for an end to the recession that some analysts say has pushed nationwide corporate earnings to a five-year low.

"I am 100% confident the business situation will improve," opined Bill Hancock, chief financial officer of American Motor Inns. "The problem is when."

A *Nation's Restaurant News* survey of the year-to-year quarterly results of 41 food service and 10 lodging firms for their fiscal periods ended in April, May or June showed that profits fell 3% while revenues rose 12%.

Aftertax profit margins for the combined industries dropped 14% to 5.5% of sales.

The lodging was particularly hard hit. With profits down 33%, margins narrowed 41% to 5.7% of sales, despite a 10% revenues gain.

The food-service business fared better. Margins slipped 2% to 5.4% of sales as profits and revenues both grew 12% from 1981.

"It's cutthroat competition that's keeping prices down and that shows up in your margins," said Jack Harmon, chief financial officer at Western Steer.

Harmon added though, "We see light at the end of the tunnel." He predicted that in the first quarter of next year "we'll get the beginnings of an extended period of good times."

Rick Kasch, chief financial officer of Brock Hotels, where the main growth vehicle is now its ShowBiz Pizza chain, predicted, "This fall, September or October, we'll start to come out on the upward trend."

Loren Pannier, chief financial officer at Carl Karcher's, was "cautiously optimistic, but I'm sure having to wait a long time to see it."

Much of the businessmen's optimism was tempered, however, by the apparent flip-flop of the Reagan Administration in pushing a nearly $100 billion tax hike bill that originated in the Senate.

"I'm a believer in Reaganomics," said Harmon, "but I'm beginning to question whether Reagan is."

Other surveys of second-quarter earnings indicated that the four major industries—manufacturing, railroads, utilities and banking—suffered an 18% decline in profits from 1981 and that more than half of United States corporations suffered a net loss or a decline in the period.

Hard times in the hotel business were led by Holiday Inns which reported a profit falloff of 11% and Hilton Hotels which reported a falloff of 22% both largely due to problems with gaming and reduced occupancy rates. Ramada Inns lost $6.5 million based largely on its Atlantic City casino project.

Coffee shops and family restaurants held margins tight as profit growth outstripped sales growth, perhaps reflecting the market's move away from dinnerhouses, which suffered the worst in the second quarter.

Ponderosa reported a 9% decline in profits and Victoria Station suffered an 88% profit drop. Sea Galley was off 5% and Restaurant Associates was off 50%. Largely on the growth of Chi-Chi's, however, Mexican dinnerhouses charted a 133% profit increase but margins nevertheless narrowed.

Big fast-food gainers included McDonald's, Wendy's, Carl Karcher's and Godfather's. Shoney's showed a profit gain of 19% largely on the basis of a one-time earnings boost due to a $2 million stock swap. One of the few losers was Church's whose profits fell 8%.

SECOND QUARTER SALES AND EARNINGS OF 51 FOOD-SERVICE AND LODGING FIRMS*

(Fiscal period ended April-June compared to April-June 1981)

Segment	Number of firms surveyed	Revenues: April-June 1982 (Millions)	Revenues: Per Cent change from 1981	Profits: April-June 1982 (Millions)	Profits: Per cent change from 1981	Margins: Profit as per cent of sales April-June 1982	Margins: Per cent change from 1981
Fast Food	16	$1,479.0	+ 13%	$135.1	+ 12%	9.1%	– 1%
Dinnerhouses	14	291.1	+ 11	8.9	+ 2	3.1	– 6
Steak	6	172.5	+ 4	4.5	– 4	2.6	– 7
Mexican	3	34.4	+119	2.1	+133	6.1	– 7
Full-menu	5	84.2	+ 6	2.3	– 26	2.7	–31
Coffee shops	4	48.1	+ 12	1.6	+ 14	3.3	0
All other**	7	1,758.1	+ 11	49.3	+ 12	2.8	0
Food Service Total	41	3,576.3	+ 12	194.9	+ 12	5.4	– 2
Lodging	10	989.9	+ 10	57.1	– 33	5.7	–41
Food Service and Lodging Total	51	4,566.2	+ 12	252.0	– 3	5.5	–14

Source: *NRN* Research

*Refers to the calendar quarter not the firms' fiscal quarters. All dollar amounts were taken from company earnings reports with periods ending in April, May or June.
**Includes four diversified, two cafeteria and one contract feeding firm

Publicly held Peoples sees profit in first year

RICHARDSON, Tex.—Peoples Restaurants, the budding family restaurant chain spun off by the owners of Bonanza steakhouses, reported that it completed its first full year as a public firm in the black.

The company, which had 24 units at the end of the year on June 27, reported profits of $806,000, compared to a 1981 loss of $40,000. Revenues increased more than tenfold to $5.8 million from $548,000 in 1981.

Systemwide sales increased to $18.1 million from $4.2 million as the number of restaurants in operation at year-end went from seven to 24.

In the fourth quarter, Peoples reported profits of $219,000 compared to a 1981 fourth quarter loss of $47,000. Fourth quarter revenues increased to $3.2 million from $291,000 in the same period last year.

Systemwide sales in the fourth quarter grew from $2.1 million in 1981 to $6.6 million this year.

At year-end, half of the chain's 24 units were franchised. Three new units were opened in the fourth quarter and two more were opened in July, bringing the number in the system to 27.

Bonanza, a 630-unit chain, recently sold off its interest.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Ogden Corp.	6 mos. 3 mos.	6/30			$1,043.696 504.844	10.00 13	$ 31.610 15.478	(5) (8)
Jerrico Inc.	12 mos. 3 mos.	6/30			427.055 112.086	12 9	21.801 6.059	5 (12)
Del E. Webb Corp.	6 mos. 3 mos.	6/30			166.484 84.174	19 21	(1.208) ($884,000)	
People's Rests.	12 mos. 3 mos.	6/27	$18.117 6.611	34 22	5.831 3.161	64 25		
Restaurants Assocs.	6 mos. 13 wks.	6/26			50.311 25.605	2 2	872,000 493,000	58 50
Oakbrook Consol.	39 wks. 13 wks.	6/26			105.958 38.875	5 9	593,000 379,000	(59) (52)
Pancho's Mex. Buffet	9 mos. 13 wks.	6/30			17.619 6.327	13 11	437,040 151,013	2 (38)
Sea Galley Stores	6 mos.	6/30	33.2	55			1.1	6
Imasco Ltd.	13 wks.	6/30			671.237	29	35.894	43
Associated Hosts	39 wks. 13 wks.	6/26			59.895 19.489	0.1 4	1.591 254,000	9 (47)
Wendy's	6 mos. 13 wks.	6/26			292.410 154.040	33 27	20.158 12.042	20 23
Mr. Steak Inc.	9 mos. 13 wks.	6/27			44.578 16.502	9 17	(408,000) 26,000	 (81)
ARA Services	39 wks. 13 wks.	7/2			2,091.280 686.263	0.1 0.09	39.849 13.372	3 7
Ramada Inns Inc.	26 wks. 13 wks.	7/1			271.428 143.085	36 37	(12.678) (6.536)	
United Inns Inc.	9 mos. 13 wks.	6/30			106.864 37.753	9 6	6.853 2.564	4 10
Sonesta Int'l Hotels	6 mos. 13 wks.	6/30			73.805 39.537	3 7	1.669 2.380	27 104
Bob Evans Farms Inc.	13 wks.	7/30	44.433	12			3.290	0.2
Kelly-Johnston	13 wks.				8.280	135	497,865	69

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

RA 2nd quarter net drops

NEW YORK—Restaurant Associates Inc., a broad-based restaurant and hospitality company, reported net income of $493,000 for the second quarter ended June 26, down 50% from $992,000 in the prior year's comparable period.

Revenues were $25.6 million, a slight increase from last year's $25 million.

For the six months, net income was off 58%, $872,000, from $2.1 million the year before. The prior year's results included extraordinary tax credits and nonrecurring pretax gains totaling $1.7 million.

Revenues for the six months were $50.3 million, up from $49 million the year before.

The company said second quarter performance of certain restaurant properties suffered from bad weather and the recession. Restaurant Associates operates more than 50 food establishments, including 14 Charlie Brown's steakhouses, and several lodging facilities along the Eastern Seaboard from Maine to Florida. It also has 115 newsstands and gift shops in seven cities.

Pizza Hut operating profits up 16%

PURCHASE, N.Y.—Pizza Hut reported revenues and operating profits up 16% during the second quarter, ended June 12, over last year.

Parent PepsiCo also said combined average store sales in company-owned Pizza Hut and Taco Bell restaurants were up 13% from last year.

A company spokesman said, "Taco Bell sales are relatively flat at this point in time, accompanied by very strong gains at Pizza Hut."

The spokesman said PepsiCo's food-service segment, which includes Pizza Hut and Taco Bell, realized sales per store, minus gains due to price increases, of 4% above sales for last year's second quarter.

There were 1,850 company-owned Pizza Huts and 835 company-owned Taco Bells at the end of 1981.

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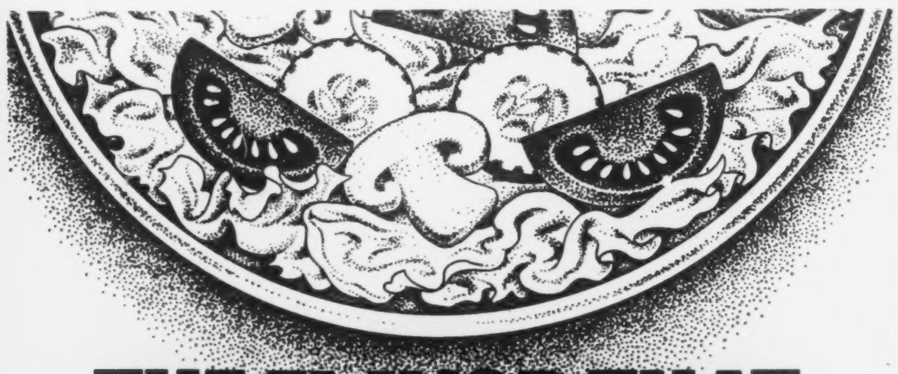

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Do promos draw traffic? NRA survey says no

By Joe Edwards

WASHINGTON—Special discounts and promotions exert little or no influence on the majority of consumers when they are picking a place to eat out, according to a National Restaurant Association survey.

That surprising finding, contained in a lengthy report on the consumer decision-making process for choosing three types of restaurants, comes at a time when restaurant operators are spending millions promoting sweepstakes, giveaways and meal discounts to lure customers through their doors.

Such gimmicks, however, are not as effective as some recession-weary operators might think as they map strategies to stabilize or build customer traffic, the survey indicates. In fact, customers desire quality food and friendly service above all; they even rank parking and convenient locations as more important than discounts.

In a nationwide telephone survey, the NRA asked hundreds of regular restaurant patrons a variety of questions dealing with their dining out habits. Discounts and promotions were shown to be relatively ineffective ways of attracting those patrons to fast-food, family and "atmosphere" restaurants.

Nearly 43% of the respondents said games, prizes and coupons were not at all important when they pick a particular fast-food restaurant. Another 13% said such gimmicks were only slightly important. Only 16.4% said discounts and promotions were very important.

In the family restaurant category, 58% of the respondents said discounts and promotions were not at all important and 11.7% said they were only slightly important. Only 7.7% said they felt discounts were very important when they pick a family restaurant.

Even fewer respondents said they were enticed by discounts and promotions when looking to eat at an upscale atmosphere restaurant. Close to 88% said such deals were of little or no importance when they choose such a restaurant and only 3.5% said they were very important.

In light of the widespread use of discounts and promotions, especially by fast-food chain operators, the NRA survey results could touch off another round of debate within the industry about the viability of such gimmicks.

These traffic-building methods have been criticized over the years as stopgap measures at best and ineffective and detrimental to a restaurant's image at worst. Others view couponing and other special deals as necessary evils with only short-term benefits.

In times of economic hardship, though, the use of promotions and couponing often increases; this has been the case in the last two years. McDonald's for one has sponsored several multimillion dollar promotions recently and has offered free samples of two new menu items, Chicken McNuggets and McRib sandwiches.

McDonald's Build-a-Big-Mac sweepstakes was credited with boosting unit sales and customer counts in the late winter and spring of 1981 and the chain has followed that promotion with others.

Special discounts and promotions in the restaurant industry usually fall into two categories. Operators discount meals with cents-off coupons or sponsor sweepstakes, distributing game cards at the service counter.

Use of promotions such as game cards has increased about 28% in the last two years, according to a premium and incentives trade publication. Often such games are favored by large chains because top prizes can go unclaimed.

Another publication, which tracks the performance of several major fast-food and family restaurant chains, reported that a record 80% of the stores it follows ran promotions in 1981, compared to 73% in 1980 and 67% in 1979.

Restaurants running such promotions scored higher nominal sales gains than those not promoting in 1981, according to this source, but "the sales gap . . . did narrow and is currently holding to about one percentage point."

Consumers surveyed by NRA said they considered quality food and friendly service as the most important attributes of fast-food, family and atmosphere restaurants.

In the fast-food category, other attributes affecting consumers when picking a place to eat were, in order of their importance: convenient location, fast service, convenient parking, expected cost of the total meal, nutritious food, atmosphere, price of individual menu items, variety of menu items, special menu items, discounts and promotions and the availability of a nonsmoking section.

For family restaurants, the most important attributes after quality food and friendly service were atmosphere, nutritious food, variety of menu items, expected cost of the total meal, convenient parking, fast service, convenient location, special menu items, price of individual menu items, availability of a nonsmoking section and special discounts and promotions.

For atmosphere restaurants, after food quality and friendly service, the most important attributes are atmosphere, variety of menu items, nutritious food, special menu items, convenient parking, fast service, convenient location, expected cost of the total meal, price of individual menu items, availability of a nonsmoking section and discounts and promotions.

Bud Ruzitsky, chairman of the NRA committee on education and research and head of Serv-Rite, a Buffalo, N.Y.-based contract feeder, said the survey findings should be "very useful" to most operators.

"Our particular company is making plans for next year and we're taking note of the results—quality of food and friendliness of service," Ruzitsky said. "This is the type of research that can be helpful to owners."

The NRA surveyed 802 households in a cross-country random-dialing telephone survey, according to Betty Hoyt, research manager. Only those persons who had dined out in

(Continued on page 45)

IMPORTANCE OF SPECIAL DISCOUNTS AND PROMOTIONS

Degree of Importance	Fast-Food Restaurant	Family Restaurant	Atmosphere Restaurant
Not at all important	42.7%	58.0%	77.8%
Slightly important	13.0	11.7	10.0
Somewhat important	13.8	9.9	4.6
Important	10.6	10.5	3.4
Very important	16.4	7.7	3.5

Source: National Restaurant Association

While restaurant operators are spending millions promoting sweepstakes, giveaways and meal discounts, such gimmicks are not very effective in stabilizing or building customer traffic, the survey indicates. In fact, customers desire quality food and friendly service.

IMPORTANCE OF QUALITY FOOD

Degree of Importance	Fast-Food Restaurant	Family Restaurant	Atmosphere Restaurant
Not at all important	2.7%	1.4%	0.4%
Slightly important	2.5	1.4	0.2
Somewhat important	11.3	5.8	1.3
Important	31.9	26.3	20.8
Very important	50.3	64.9	77.4

Source: National Restaurant Association

Tex Critter's Pizza plots rapid growth

WESTLAKE VILLAGE, Calif.—Tex Critter's Pizza Jamboree is expanding rapidly, hoping to emerge as a factor in the race among pizza theaters featuring computer-animated robot performers. Tex Critter's parent, Castle Entertainment Inc., based here, is opening units at the rate of one a week through July, August and September at sites in Colorado, Arizona, Puerto Rico and the Midwest.

Mike Leone, Castle's vice president of marketing, describes the Tex Critter's concept as an "entertainment center."

The Tex Critter's units, averaging 10,000 to 12,000 sq. ft., have a 250-seat main theater, a 100-seat video theater and a computer learning center area where customers can rent time on personal computers. The video theaters show taped movies and video tapes of community group activities for private parties.

Leone, former marketing vp with W. R. Grace's Far West Services group, hopes Tex Critter's format of six-minute shows by its robot performers will prove a more popular attraction than the one- or one-and-a-half minute presentations at competing pizza theaters. Castle has enlisted the technical assistance of a firm which has done work for the Six Flags amusement parks and special effects for the television program Battlestar Galactica.

The menu consists of pizza, submarine sandwiches, a salad bar, ice cream sundaes and beer and wine.

The first Tex Critter's unit opened in early July in a new strip center in Aurora, Colo., followed by a second unit in the recently vacated Cafe Casino building in the Metro Center mall in north Phoenix. The third opened in the new Chapel Hills mall in Colorado Springs early this month. A Tex Critter's then opened as the central attraction of a food-court addition to the Plaza Carolina shopping mall in San Juan, Puerto Rico. A fifth outlet was scheduled to open this month in a mall addition in Davenport, Iowa.

Next month Castle plans to open two more units in Arizona—a second Phoenix location and one in Flagstaff. Later in the month, two more are scheduled to open at unspecified locations in the Midwest.

Castle is financing their rapid chain deployment with proceeds from its first public stock offering in April. One million shares at $6.50 per share were almost immediately purchased; the Castle stock is traded over the counter. Because of S.E.C. restrictions on new public companies Castle officials would not release projections on anticipated revenues. Such information should become available when the company closes out the current fiscal year

Castle Entertainment Inc. was founded 10 years ago by brothers Bill and Ron Rameson, and partner Tom Clark. In addition to the Tex Critter's concept, the company operates video and game arcades, including those situated in its five Castle Park theme attractions which feature miniature golf courses. Three Castle Parks are operating in southern California; one in Fort Lauderdale, Fla., and one, a 16-acre facility which Leone characterized as "the Disneyland of Hawaii," in Honolulu. Two more parks are scheduled to open this year

The company recently made two appointments of operations personnel to get the Tex Critter's venture on track. R. Eric Bomhard was named operations manager for the company's restaurant division. Bomhard, 33, will be establishing all operating systems, policies and procedures for continuing nationwide development of the concept. He had been general manager of the Showbiz Pizza Place in Dayton, Ohio, and was most recently involved in opening a Sgt. Singer's Pizza Circus in Pasadena, Tex.

Christopher R. Carter was named operations training manager, responsible for developing programs for management and staff of the Castle Park centers and the pizza restaurants.

Tex Critter the Dragon, the chain's computer-animated star.

Patrons unimpressed by promos

(Continued from page 38)

the two weeks prior to the phone call were questioned, Hoyt said.

The median number of times respondents reported eating out at fast-food restaurants during a month was 3.9 times compared to 2.8 times at a family restaurant and 2.4 times at an atmosphere restaurant.

According to the survey, 58% said they ate at a fast feeder at least once a week and 25% twice a week or more; 46% of the respondents said they visit a family restaurant once or twice a month and 12.9% said they eat out more than seven times a month.

A majority of respondents told NRA they had a favorite fast-food, family and atmosphere restaurant. Favorite fast-food restaurants feature hamburgers for six out of 10 respondents. About 13% said their favorite family restaurant serves steak or other beef items; 20% said their favorite atmosphere restaurant specializes in all types of food and another 20% said their favorites served steak and beef entrees.

The primary reasons for eating out at a fast-food restaurant, according to the survey, are convenience (13.1%) and lack of time (37%). Celebrating a special occasion or lack of time are the primary reasons for eating out at a family restaurant, according to the survey. Celebrating a special occasion or enjoying a night out are the primary reasons for dining at atmosphere restaurants.

Children and teenagers "have considerable influence on decisions to eat at fast-food restaurants and they are especially influential in deciding which restaurant to patronize," the report says.

The NRA report also covers where and when the decision to eat out is made; how consumers find out about restaurants; influence of party members on the decision to eat out; degree of difficulty in preparing the same meal at home, and a close look at how consumers view the attributes of certain restaurants.

The report, "Consumer Decision-Making Process for Three Types of Restaurants," is being published by the National Restaurant Association this month.

PRIMARY REASONS FOR EATING OUT

Reason	Fast-Food Restaurant	Family Restaurant	Atmosphere Restaurant
Lack of time	36.8%	11.2%	3.1%
Good place for children	1.2	0.6	
Inexpensive	1.1	0.7	0.5
Out shopping	9.9	7.1	2.1
Traveling	5.4	5.0	1.7
Birthday	0.4	5.8	13.1
Location	2.5	1.2	0.6
Convenience	13.1	7.3	1.5
Like to eat out	4.2	8.5	8.7
Don't want to cook/ cleanup	8.1	5.3	0.9
Anniversary	0.1	1.9	4.9
Other occasion	1.6	13.2	20.7
Business meeting	0.2	0.7	3.3
No special reason	1.6	5.2	6.7
Date		2.2	4.7
Night out	1.3	4.4	13.5
All other reasons	10.0	15.0	7.5
Don't know	2.6	4.7	6.3

Source: National Restaurant Association

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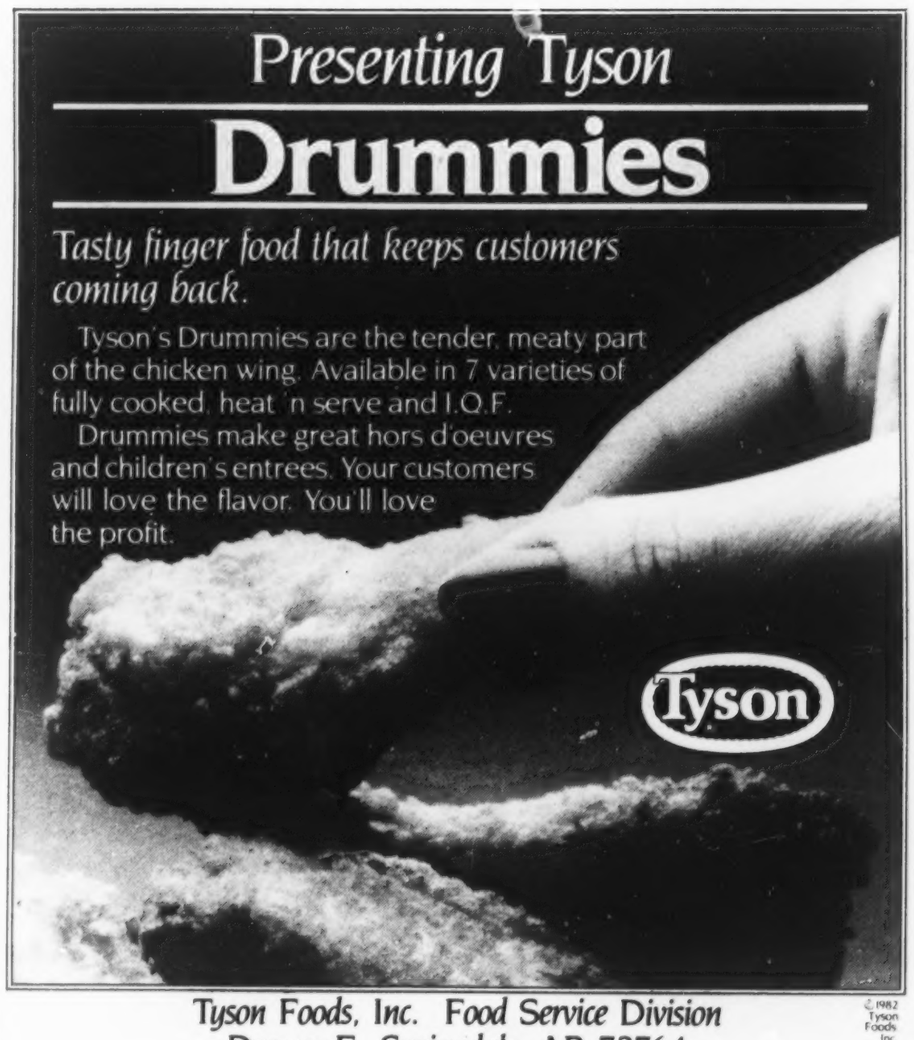

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THE TOP 10 VOLUME RESTAURANTS

A Look at Where the Crowds Go—Pp. 71-80

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Slow growth shackling fast-feeders

By Joe Edwards

The ability of the fast-food industry to recover not only from the current economic crisis but the protracted slump which began in the late 1970's is being stymied by the lack of significant unit expansion, menu price hikes, customer count improvements and successful new product rollouts.

Domestic fast-food unit growth, which accounted for an estimated two-thirds of the annual systemwide sales increases at major chains between 1977 and 1981, has slowed dramatically in the last two years, due mostly to high interest rates and market saturation.

Menu prices, which rose about 10% per year in the last five years, have stabilized, cutting off an important sales

(Continued on page 171)

UNIT SALES PERFORMANCE OF MAJOR FAST FEEDERS

	1977		1978		1979		1980		1981		1982		Nominal Compound Annual Growth Unit Sales 1977-82	Nominal Compound Annual Growth Unit Sales 1980-82	Actual Compound Annual Growth† Unit Sales 1977-82
	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change			
McDonald's	$857,000	5.5%	$942,000	– 1.0%	$1 M	– 5.0%	$1 M	–3.5%	$1.1 M	2.0%	$1.2 M*	3.0%*	7.0%	9.5%	–1.9%
Burger King	$524,000	4.0%	$572,000	N/A	$639,000	4.0%	$710,000	N/A	$728,000	– 5.5%	$751,000	0.2%	7.5%	2.8%	–1.4%
Wendy's	$610,000	N/A	$689,000	13.0%	$620,000	–10.0%	$627,000	N/A	$674,000	– 0.5%	$720,000*	2.8%*	3.4%	7.2%	–5.1%
KFC**	$270,000	N/A	$285,000	–12.0%	$325,000	8.0%	$364,000	5.0%	$427,000	1.0%	$468,000	6.4%	11.6%	13.4%	2.4%
Church's	$340,000	16.0%	$403,000	10.0%	$410,000	– 3.0%	$403,000	–9.0%	$400,000	–10.0%	$415,000*	2.0%*	4.1%	1.5%	–4.6%

Source: *NRN* Research

*Estimated
**Company-owned units only
†To arrive at the figures for the actual compound annual growth (last column), the food-away-from-home consumer price index for the industry as a whole was used as a deflator. For the years 1977-82, the food-away-from-home consumer price index was 8.98%.

Krystal to purchase Po Folks

By Don Jeffrey

NASHVILLE—Krystal Company, the Chattanooga-based firm that operates 215 low-priced fast-food hamburger restaurants, has agreed to acquire Po Folks, the 31-unit budget family restaurant chain based here.

This purchase gives Krystal a three-pronged chain-restaurant marketing approach on top of its lower-end Krystal units and higher-end Wendy's franchises.

Executives of both companies, which are privately held, declined to disclose the selling price of the stock.

Po Folks president Malcolm Hare said, "The management of Po Folks had as its stated goal the sale or acquisition of the chain once a certain value was reached. Krystal's offer met our requirement both financially and from the standpoint of faith in their ability and intention to continue the high standards of the concept."

Po Folks' management team: (l.-r.) Morris Dever, administration and finance vp, Roy Jones, operations vp and Malcolm Hare, president.

Last year Hare said the goal was to build the chain up to 100 units and sell or merge for $20 million. This year, because of rapid growth, the goal was revised to $25 million.

The purchase agreement is expected to be completed by Nov. 1. It is subject to approval by Po Folks stockholders.

Po Folks, which plans to open about 20 new units this year in Texas, Ohio, Mississippi and some of the seven states it already operates in, has signed franchise and joint-venture agreements to develop more than 400 restaurants, Hare said.

Earlier this year Krystal, through its Southern Food Services subsidiary, entered into an agreement with Po Folks to develop more than 80 franchised units in several states.

Gordon Davenport, chairman of Krystal's executive committee and president of Southern Food Services, said the agreement now involved more than 100 units.

Po Folks declined to grant Krystal a first-refusal buy-out option on the chain, when the franchise agreement was made. Hare said such an agreement would "not be in the best interest" of the company because it

(Continued on page 172)

Burdens restaurateurs, workers

Tip disclosure bill signed by Reagan

WASHINGTON—Starting next year, the nation's restaurants will be required to file reports to Federal tax collectors disclosing total employee tip income, under the terms of the controversial $98 billion revenue-raising bill signed into law by President Reagan.

The new reporting requirements, which have been described as a "disaster" by key food-service lobbyists, figure to create costly new administrative burdens for all but the smallest restaurant operators and could trigger bitter labor-management disputes throughout the industry.

For the nation's waiters, waitresses, bartenders and other tipped employees, the new Federal tip disclosure law may pose even more severe pocketbook implications.

Congressional advocates of the reporting requirement had charged that the vast majority of all tips received by food-service workers are not reported to the Internal Revenue Service. In fact, secret IRS studies cited—but never released—by the Senate Finance Committee allege that restaurant employees pay tax on less than 20% of their total tip income.

If those figures are accurate, the new tip disclosure law could cost food-service workers close to $1 billion a year.

Despite these problems, representatives of the nation's restaurants, lodging establishments and unionized food-service workers actively lobbied the controversial tip-reporting law through Congress as a substitute for an even more burdensome cut in business meal tax deductions approved by the Senate last month.

When the dust from the legislative debate over the '82 tax package finally settled, Con-

(Continued on page 171)

LATE NEWSBREAKS

The Wienerwald restaurant chain has petitioned courts in Munich and Zurich to appoint a receiver and protect it from creditors while it reorganizes. Wienerwald, which operates more than 1,500 restaurants in 18 countries, including about 800 IHOPs and Lums in the United States, had agreed earlier with creditor banks to concentrate on European operations and divest itself of some or all of its other holdings.

Wendy's has opened a 24-hour-a-day, drive-thru-service-only unit on North Cicero Avenue, Chicago. Wendy's has been concentrating on downsized stores (story, page 32), but the new freestanding unit is the company's first featuring drive-through-service only.

Pioneer Take Out, Los Angeles-based, 275-unit fast-food chicken chain, is rolling out a chicken breast filet sandwich and a chicken salad sandwich.

Wachtel resigns as Shoney's chief exec

By Charles Bernstein

NASHVILLE—David Wachtel Jr., who started as a Shoney's busboy 23 years ago, has resigned as Shoney's Inc. president, chief executive officer and a director just 10 months after being named ceo.

Raymond Danner, who was ceo ever since his Nashville-based Danner Foods merged with Alex Schoenbaum's Charleston, W. Va.-based Shoney's 11 years ago, reassumed the ceo post "for perhaps two more years" as well as continuing as chairman.

A new president and chief operating officer is to be named from within the company's executive ranks at the next board meeting Oct. 6.

"I chose Dave Wachtel as ceo," said Danner, "but it just didn't work out. It developed that there was a basic difference in management philosophy and policy between Dave and myself, between Dave and the board. Dave is still an immensely capable executive."

Wachtel, 40, said there were indeed differences in manage-

(Continued on page 172)

David Wachtel Jr.

Atkins new partner in "21" Club; plans growth

By Charles Bernstein

NEW YORK—Charles Agee Atkins, managing partner and head of The Securities Groups here, has become a major partner in the famed "21" Club and will contribute capital for "21" to expand as an ownership and management company.

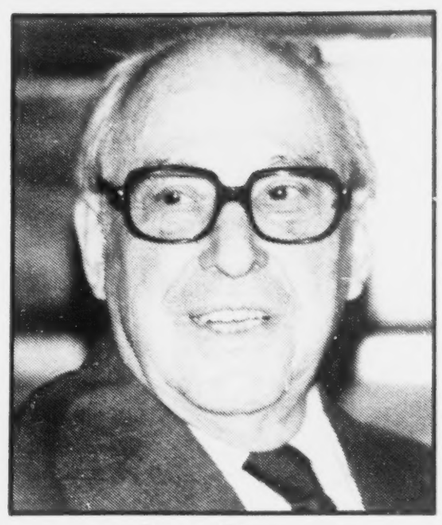
Completion of the deal, which followed months of negotiations, means that Atkins, 28, joins "21's" current owning partners who will continue to lead this restaurant's fortunes: Sheldon Tannen, Jerry Berns and Peter Kriendler. Atkins is buying a portion of Berns' and Kriendler's shares. (Background information on "21," page 71.)

Terms of the deal were not disclosed, other than that Tannen will continue as president of "21" Management Corp., which hopes to launch new hotels and restaurants in large cities and that Atkins' main role would be to "provide capital for this expansion." Earlier reports that Atkins' partnership would involve a $20 million ownership purchase were discounted as "highly exaggerated."

Meanwhile, "21" Club Management has dropped its two-year-old management contract in which it operated the Mansion on Turtle Creek restaurant and the 150-room luxury adjoining hotel. A similar deal in which "21" was to run the Remington Hotel and restaurant, slated for a November opening in Houston, was dropped too.

Both hotels are owned by Rosewood Hotels Inc., which is controlled by the H. L. Hunt family through Hunt Properties. Differences in operational philosophy and policy arose between the Hunt family and "21," inside sources indicated.

Sheldon Tannen



Jerry Berns

Executives of "21" would not comment, but one did say that "we have our own very high standards, and we can't have these compromised by other owners." (Actually the smaller restaurant offshoots of "21" in other cities were supposed to operate at an even higher culinary level.)

A search is under way by "21" to launch its own restaurant and hotel (presumably still under a different name) but with its own control or equity this time, in either Dallas, Houston or Los Angeles. Washington, Atlanta and possibly Paris or London also are being eyed.

A similar problem of outside control was encountered a few years ago when "21" dropped its management contracts first with the restaurant at John Coleman's Fairfax Hotel in Washington, D.C., and then with Cricket's restaurant at Coleman's Tremont Hotel in Chicago.

Asked why the over $10 million volume "21"—considered a huge success by anyone's measure—still wants to expand after having terminated management contracts on three restaurants and a prospective fourth, a "21" source explained, "We want to find new opportunities and challenges for our younger executives who are coming up, besides the obvious

(Continued on page 172)

David Frye to provide comic relief at MUFSO

WASHINGTON—David Frye, famous mimic, parodist, satirist, actor and cartoonist, will provide entertainment at *Nation's Restaurant News'* annual Multi-Unit Food Service Operators (MUFSO) conference awards banquet here Tuesday evening, Oct. 26.

Frye, who has impersonated Nixon, Agnew, Humphrey, Johnson, David Susskind, Henry Fonda and numerous others, is one of the features of a full MUFSO program Oct. 24-27 which will include panel discussions, workshops, keynote addresses and receptions, at the Washington Hilton Hotel. Executives from chains around the country and leading suppliers will attend.

Further details and registration information can be obtained from MUFSO coordinator Ilene Stargot, *Nation's Restaurant News*, 425 Park Ave., New York, N.Y. 10022 212-371-9400, x282 or x283.

Monterey Hotel strike settled

800 employees return to work

MONTEREY, Calif.—Nearly 800 striking hotel and restaurant workers have returned to their jobs here following ratification of a new three-year contract by the 1,800-member Local 483, Hotel Employees and Restaurant Employees International.

Workers gained an approximate 30% wage and benefit increase over three years from negotiations with the 22-member Monterey Peninsula Hotel and Restaurant Assn. to end the 17-day strike.

Among pay scales for 20 job categories set by the contract, waiters and waitresses will gain by about 15¢ an hour over three years on the old $3.45 hourly rate, while cooks will move from $48.76 to $53 per shift in the first year, with a boost of about 7.5% in each of the next two years.

Two paid holidays and sick days will be phased in over three years, one each in the second year and another one each in the third.

In addition to the Hotel and Restaurant Assn., the contract will affect a total of about 4,000 workers, including those employed by an estimated 78 other hospitality businesses in the Monterey area.

New Calif. labor rule redefines service charges as tips

By Rick Martin

SAN FRANCISCO—California labor commissioner Patrick W. Henning has redefined service charges which are tacked on to guest checks and banquet bills, calling them "compulsory gratuities" which become the sole property of employees.

The latest interpretation of state labor code provisions, contained in a policy memo to labor standards enforcement personnel, represents a major shift in emphasis by the state, which had permitted disbursement of service charges according to individual house policy.

In defining service charges as tips, Henning's memo stated that management may not share in such charges unless written permission from specific customers is obtained.

Indications are that the state may now place a burden of proof on restaurants to document that service charges they collect on each meal service are being returned in full to the personnel providing that service.

Objections to the policy shift by the industry were voiced when California Restaurant Association executive vice president Stanley R. Kyker and CRA legal counsel M. Armon Cooper met with Henning and Louis Giannini, labor commission chief counsel. Henning stated that the intent of his memo was to declare a service charge to be a gratuity unless there is some proof that the customer believes otherwise. The burden of proof in this regard is one the employer, he said.

Giannini indicated that the memo was not intended as a change in policy but rather a change in emphasis. The memorandum, he said, was intended to clarify existing policy. CRA officials expressed their position that Labor Code section 350, being interpreted in the matter, does not support the position taken in the memo.

That position is now likely to affect the way in which banquet contracts are drafted in the state, as well as affecting the policies of those restaurants that include service charges on all guest checks.

Among such restaurants is Michael's of Santa Monica, which is virtaully alone among establishments in the Los Angeles area in adding a service charge to meal tabs. At Michael's, a 17% service charge has been included on guest checks for about the last six months. According to a member of Michael's management staff the service charge there is not disbursed directly to waiters, but is, rather, regarded as a subsidy for higher-than-average hourly wages paid to service personnel. Lead waiters there reportedly earn a flat $15-an-hour wage.

Earnings

Reports circulated of mass defections of waiters from Michael's to other top-flight restaurants after institution of the service charge policy. Waiters there had reported net earnings cut in half by the new policy.

California establishments such as Michael's may now be forced to revamp their service-charge policies in light of the labor commission's stance. Previous state labor code interpretations have curbed restaurants' compulsory tip-poolir g policies and the practice of deducting from tips on credit card sales to compensate for bank charges on the tip portion of those sales.

Sweeney leaves top Amfac post

BRISBANE, Calif.—Charles Sweeney has resigned as president of Amfac Hotels continental division "to pursue other business interests," according to a company spokesperson.

President since 1979, he was previously hotel and restaurant division vice president, a spot he had held since 1976. Previously he had been a manager, then director, of regional food services since joining the company in 1973.

Prior to Sweeney's resignation, Amfac Hotels had been experiencing a period of stability in its executive ranks, a change from the steady series of management upheavals which followed relocation of the group from Chicago in 1968.

Acquisition in 1968 of the old Fred Harvey food-service group by Honolulu-based Amfac Inc. preceded Fred Harvey's restructuring as Amfac Hotels & Resorts and its relocation to the West Coast.

Hotels were developed by Amfac's continental division in Arizona and Texas beginning in 1969. During the early 1970's the company began shuttering its independent restaurant operations; by 1976 the company consisted of hotels only.

Charles Sweeney
former Amfac Hotels president

HIGHLIGHTS IN THIS ISSUE

6 Bigness—as exemplified by the nation's top 10 restaurants—can often become an excuse for lower standards. So it is particularly critical for these fine establishments to stay in the forefront of quality, says *NRN* editor Charles Bernstein in an editorial.

8 From its roots as a depressed seaside resort known only for its boardwalk and amusement piers, Atlantic City now appears poised to overshadow Las Vegas as the country's pre-eminent gambling town.

35 Shoney's is making its all-you-can-eat breakfast bar a permanent feature, and its Shoney's and Famous Recipe divisions are also eying the concept for their stores.

48 Customers must have all the information they need to make an intelligent wine purchase right on a wine list. Otherwise, the list isn't doing its job, says Wine and Spirits columnist Mort Hochstein.

64 In a Denver market crowded by the big boys, a squirt called White Spot is holding its own against tough coffee shop competition.

101 A special three-page book excerpt focuses on the pros and cons of restaurant expansion.

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Slow growth shackling leading fast-feeders

(Continued from page 1)
growth vehicle for chains such as McDonald's. Customer traffic at major fast feeders has been flat or sagging for several years. And the performance of new menu items has been erratic.

These four factors traditionally have played the most important role in the sales and earnings growth of major fast-food chains. Without them, recovery from the current recession will be slow and difficult.

This gloomy picture of the fast-food industry emerges from an analysis of the performance of McDonald's, Burger King and Wendy's, the top hamburger chains, and Kentucky Fried Chicken and Church's, the leading chicken chains, for the years 1977 to the present.

The compound annual growth in unit sales for the six-year period was up 2.4% at KFC but off −1.4% at Burger King, −1.9% at McDonald's, −5.1% at Wendy's and −4.6% at Church's (See chart, page 1).

Real unit sales at the top fast feeders—actual sales after adjustments for menu price hikes—have been flat or sagging on a year-to-year basis for several years, although some experts see an improvement in this year's third and fourth quarters.

Optimists in the industry note that menu price increases are exceeding cost increases and the inflation rate, which is easing, and point to the stability of wholesale food prices and the absence of a minimum wage increase as positive signs. They also doubt whether customer counts can erode any further than they have.

Still, the industry is clearly troubled and the challenges are formidable. McDonald's, which has cornered 18% of the domestic fast-food market and 6% of the total restaurant market, has been fighting a 4% annual drop in customer counts for the last four or five years.

The much-ballyhooed turnaround at KFC has been seen mostly at company-owned units, which make up a tiny fraction of the extensive KFC system. Church's suffered a whopping 10% real sales drop in 1981 and is not faring much better this year.

Burger King, having just endured another top management shakeup directed by parent Pillsbury Co., posted flat sales in fiscal 1982 ended May 30 after a 5.5% real sales decrease in 1981. And Wendy's continues to flounder, never really having recovered from a disastrous performance in 1979 when average unit sales plummeted $70,000 to an average of $620,000.

Physical expansion has always been the most important factor in sales and earnings improvements in the industry, but for the leading fast-food chains the fast-paced expansion of the past is not happening any more.

Even if interest rates come down, easing the pressures on cash-strapped franchisees who have been unable to expand as rapidly as they wanted in the last two years, the question of market saturation haunts the industry.

In most areas of the country, the prime sites are gone. Most fast feeders have been opening new units at sales levels below their chainwide averages. Foreign expansion is an alternative to domestic unit growth, but startup costs overseas are much higher than they are in this country. Sales at foreign units are higher, too, but not by a wide enough margin to make up the difference in costs.

According to one report, two-thirds of annual sales growth in the years 1977-81 came from physical expansion at the top chains with menu hikes the next important factor. But chains like Wendy's and Church's will be hard-pressed to match their past annual expansion rates of 50% and 11%, respectively, in coming years.

In fact, the industry's double-digit expansion rate of the 1970's slowed to 4.1% in 1981 and a projected 5.8% this year for the top 100 food-service chains.

Even McDonald's, which in the past has relied more on menu price hikes than unit expansion for the bulk of its revenue growth, faces tough times. Traffic is off and menu price increases have slowed.

Add to this the effects of the rising unemployment rate on sales and customer resistance to high menu prices at McDonald's and the troubles are compounded.

McDonald's bottom line has been respectable throughout its extended period of traffic erosion; net income jumped 14% to $86.6 million in the second quarter ended June 30. But it is important to note that even as average unit sales were rising from $857,000 in 1977 to about $1.2 million this year, real sales were off. In fact, the 2% real sales gain in 1981 was the first actual increase at McDonald's since 1977, when real sales were up 5.5%.

McDonald's has relied heavily on menu price hikes which were 11% and 12% in 1978 and 1979 and about 9% in both 1980 and 1981. But with customers clearly resisting the higher prices, and with food costs relatively stable, menu price hikes have been limited to about 4% so far this year.

More than 50% of McDonald's corporate gross profits are estimated to come from rental/franchisee income; McDonald's owns more than 50% of the land, building and equipment in its domestic system and takes 11.5% of franchisee sales in rents and fees.

McDonald's unit expansion has slowed considerably—from an 11.8% annual rate in 1977 to 5% this year. The company continues to open about the same number of units per year but the sheer size of the chain makes the percentage increase lower.

McDonald's also is saddled with an enormous corporate debt—more than $1 billion as of June 30—and is not expected to meet its goal of being debt-free by 1985.

McDonald's has had more success than many other fast feeders with new menu items. Breakfast, which was rolled out in the mid-1970's, now accounts for about 18% of unit sales. A new McRib sandwich and the year-old Chicken McNuggets are selling well. But the chain dropped its chopped beefsteak sandwich last year because of poor sales and is reportedly having problems with its chicken sandwich.

Burger King, McDonald's arch foe in the domestic burger market, has set several ambitious goals for itself in the last few years but failed to meet them.

Burger King has been posting unimpressive real sales figures in recent years—flat in 1980, down 5.5% in 1981 and about flat in fiscal 1982. The chain's compound annual growth rate in unit sales for 1977 to 1982 was −2.5%.

Even though Burger King's earnings were up 10% in fiscal 1982, about one-half of the increase came from selling off company-owned sites. Burger King pays about the same for a new restaurant as McDonald's—$750,000—but McDonald's gets an estimated net profit of 17% of sales from a new unit compared to Burger King's 13%.

Some industry analysts minimize the importance of unit sales increases in the overall picture, pointing instead to the respectable bottom line gains scored by chains such as McDonald's even as real sales gains showed.

Others, however, say the fast-food industry must continue to boost unit volumes while expanding physically and strengthening its customer base.

Reagan signs tip disclosure bill

(Continued from page 1)
gress had killed the "1½ martini lunch" provision slicing business meal deductions by 50% and replaced that section with tip reporting requirements designed to raise $2.8 billion in Federal revenues over the next three years.

Those new disclosure rules apply to all food-service and beverage establishments with more than 10 workers (including part-timers and nontipped employees), where tipping is "customary." The measure specifically excludes "fast-food restaurants" and other outlets engaged in "carryout" trade.

Restaurants that are covered by the new law will be expected to file a report to IRS for the first quarter of 1983 disclosing:

- gross receipts from food and beverage sales (excluding carryout volume and sales with a mandatory service charge of 10% or more);
- aggregate tip income reported to the restaurant by all employees;
- total food and beverage sales charged on credit cards (again less carryout receipts and sales covered by a mandatory 10% or larger service charge), and
- the aggregate total of all employee tips shown on those credit card receipts.

If the restaurant's total reported tip income for all employees is less than 8% of the establishment's food and beverage dollar sales, the employer must also provide IRS with the names of all tipped employees along with a statement of their wages and the amount of tip income that each worker reported.

This information is designed to provide Federal tax collectors with an "audit trail" to track down possible tax code violators among the nation's food-service workers.

The Congressional conferees who hammered out the final version of the tax bill emphasized that employees should be warned that their tax returns would be subject to audit if total tips reported by all workers in an establishment do not amount to at least 8% of the restaurant's gross sales.

At the beginning of 1984, restaurants will be required to submit another report to IRS covering the final three quarters of '83, and similar annual tip disclosure filings will be required in every subsequent January.

At that point the rules change. If the combined tip income reported by all employees in a restaurant does not equal at least 8% of the establishment's adjusted gross food and beverage sales, the employer will be required to estimate total tip income at that 8% amount and allocate this income among his tipped workers.

The law does not set any formula for allocating tip income among employees, but rather allows each restaurateur to develop a mutually agreeable system with his workers. If labor and management fail to agree on a tip income allocation formula, IRS will step in and impose one. The tax service is expected to develop that formula as part of regulations likely to be issued sometime next year.

IRS has also been directed to develop an appeals system for restaurant workers who can produce evidence that their tip income is actually less than 8% of sales. Again, details of this system won't be available until IRS promulgates regulations; however the law specifically prohibits any formula which allocates less than 5% of adjusted food and beverage sales as employee tip income.

A report issued by the House and Senate conferees who fashioned the final law emphasizes that restaurant operators "will have no liability in connection with any dispute regarding tip allocations," and that "the allocation of the 8% amount to employees for reporting purposes will have no effect on the F.I.C.A. (Social Security) or income tax withholding responsibilities of the employer or on his F.U.T.A. (Federal unemployment tax) obligations."

As for the 8% allocation trigger, the report notes that this "figure reflects the conferees' judgment that the tip rate in establishments subject to this reporting requirement will rarely be below the 8% level. Thus, an employee who reports less than his allocated amount of tips must be able to substantiate his reporting position with adequate books and records," the conferees concluded.

25 Senators 'ambush' the restaurant industry

By Ken Rankin

During last month's Senate tax bill showdown, a group of 25 Senate Republicans and one lone Democrat successfully torpedoed restaurant industry lobbyists who were pressing to eliminate Senate Finance Committee chairman Bob Dole's controversial tip reporting mandate.

All 25 joined Dole in voting against the food-service industry's proposal, and when the Senate finally agreed to drop these tip provisions from the bill, this same group formed the nucleus of support for Dole's revenge amendment.

Ironically, the group that ambushed the restaurant industry that night includes 11 Senators who have accepted a total of more than $35,000 in campaign contributions from food-service chain political action committee groups since the 1980 elections.

Here's who joined with Dole in the Senate meal deduction massacre (asterisk denotes Senators up for re-election this year):

- William Armstrong,* R-Colo.
- Howard Baker,* R-Tenn.
- Nicholas Brady, R-N.J.
- David Boren,* D-Okla.
- John Chafee, R-R.I. ($3,500 in restaurant PAC funds)
- William Cohen,* R-Me.
- John Danforth, R-Mo. ($5,000 in restaurant PAC funds)
- Jeremiah Denton, R-Ala.
- Robert Dole, R-Kan. ($1,000 in restaurant PAC funds)
- Peter Domenici,* R-N.M.
- Slade Gorton, R-Wash. ($800 in restaurant PAC funds)
- Charles Grassley, R-Iowa ($500 in restaurant PAC funds)
- Mark Hatfield,* R-Ore.
- Samuel Hayakawa, R-Calif.
- Richard Lugar, R-Ind. ($10,500 in restaurant PAC funds)
- Charles Mac Mathias, R-Md.
- James McClure,* R-Idaho
- Robert Packwood, R-Ore. ($3,000 in restaurant PAC funds)
- Charles Percy,* R-Ill.
- Dan Quayle, R-Ind. ($1,550 in restaurant PAC funds)
- William Roth, R-Del. ($4,000 in restaurant PAC funds)
- Warren Rudman, R-N.H.
- Alan Simpson,* R-Wyo.
- Steven Symms, R-Idaho ($500 in restaurant PAC funds)
- John Tower,* R-Tex.
- Malcolm Wallop, R-Wyo. ($5,000 in PAC funds)

Holmes takes reins at Monarch

ATLANTA—Colgate Holmes, president of Chicago-based Hyatt International for the last three years, has been named president of the new Monarch Hotels company here.

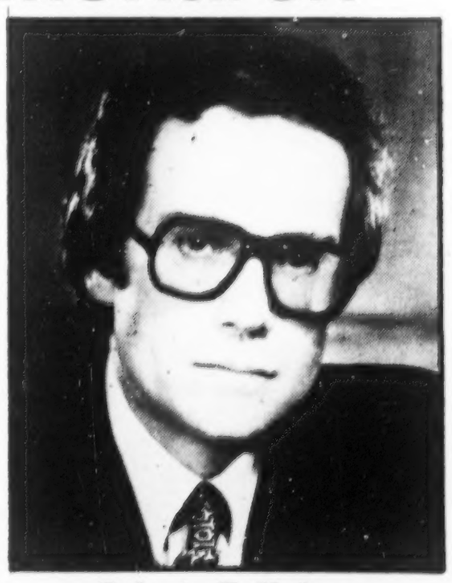
Monarch is building two initial "small exclusive" hotels, in downtown Atlanta and near the Lenox Square Shopping Center. It hopes to launch 15 such specialized hotels in the next five years, in prime markets such as San Francisco, Beverly Hills, Laguna Beach (Calif.) and Greenwich, Conn.

Monarch Hotels is owned by Atlanta-based W. B. Johnson Properties, which under chairman William B. Johnson is a major Waffle House franchisee and operates 17 Holiday Inns and Marriott hotels.

Jay Pritzker, Hyatt International chairman, will temporarily fill Holmes' post as president until a successor is found.

Holmes, 47, started in the business as a youngster at his family's Allaire Hotel in Spring Lake, N.J., near Asbury Park, and then at the family Chequers resort in the Poconos during the 1950's.

He worked at Hilton International, Intercontinental Hotels and Americana Hotels before joining Hyatt Hotels where he was general manager of the Chicago Hyatt-Regency.



Colgate F. Holmes
president, Monarch Hotels

COMMODITIES

Prices seen softening for coffee, meat, poultry

NRN Special Report

It is a pleasant change to report nearly all good news in the food supply and price area after so many months of chronicling primarily rising prices and dropping supplies. Bumper crops of grain herald lower pork, poultry and beef prices, while California's tomato crop is an excellent one.

The big news, however, is coffee. Major national roasters, including General Foods, Procter & Gamble and Coca-Cola, dropped prices by 5¢ to 10¢ lb. for roasted, ground coffee, the second drop in four months. In April, roasters made a similar cut.

The lowered prices are a result of a slide in the cost of green beans, despite vigorous efforts of the producing nation's through their International Coffee Organization, to reduce quotas when world prices fall. Good news of gradually rising temperatures in Brazil's coffee growing areas relieve fears of more frost damage there, even though the winter season is not yet over as *NRN* goes to press.

California iceberg lettuce prices are down as a result of two factors: 1) end of the effect of early spring floods in Salinas and San Joaquin Valley growing areas, and 2) local competition from farmers all across the country. Lettuce prices are a bit below last year's in the Santa Maria coastal valley area of California as well.

Beef Supply and Price Down

While the size of the nation's cattle herds are down by 4% from last year, prices have been below 1981 levels as well, ranging 1¢ to 4¢ lower through July and August. Although soaring pork prices in June pulled beef up too, consumer resistance to the higher prices soon forced both meats down, although a severe shortage of pork has raised its level again.

Both poultry and egg prices are running well under last year's levels. This is due to the reduced cost of feed grains to the producers.

And feed prices may be headed lower again. U.S. Department of Agriculture grain crop forecasts in mid-August predict the second record yield year for corn in a row, up 1% over 1981. Soybeans, too, are expected to be a record crop, 13% higher than last year, and 1% more than the record set in 1979.

Both grains have large carryovers from last season, particularly as a result of the earlier grain embargo to Russia. As expected, Russia agreed to a 1-year extension of the grain pact requiring purchases of at least 6 million metric tons of grain by the end of September 1983. Even this will not seriously dent the huge surplus.

Ketchup, Applesauce Forecast

Forecasts of a good California tomato crop have resulted in further drops in the price of processed tomato products by some packers. Ketchup, paste and sauce have been reduced by 50¢ to $1 per case, f.o.b. packer, by a number of firms. Further decreases are expected.

The Northeast apple crop is forecast to be a good one, with applesauce prices expected to drop by the end of autumn. While Northwest prospects are not as rosy, the majority of processed apples are from areas expecting good crops this year.

Raisins should be plentiful and lower in price. Following a good production last year, this season's raisin grapes are a "near record," and there is a large carryover from 1981. World market competition for American raisins is intensifying, and analysts expect exports for this season's crops to be off at least 40%, putting downward pressure on domestic prices.

Orange Juice Scare Averted

In August, Florida officials gathered samples of orange juice concentrate from the 1981 season to check for the presence of the pesticide Temick, which has been found in ground water and potatoes in New York's Long Island agricultural area near New

(Continued on page 172)

PRICE MOVEMENT AT A GLANCE

	Aug. 20 1981	July 20 1982	Aug. 20 1982
Beef, Choice, 700-900 lb., Midwest (lb.)	$1.06	$1.03	$1.03
Broilers, Grade A, icepack NYC (lb.)	$0.4856	$0.4618	$0.4410
Coffee, green beans, Brazilian, NYC (lb.)	$1.25	$1.40	$1.38
Eggs, Grade A, large, white, Chicago (doz.)	$0.6975	$0.59-60	$0.635-0.64
Lettuce, iceberg, Calif. (24s)	$3.75-$4.25	$5.50-$7.00	$3.50-$4.00
Pork loins, Choice, 14-17 lb., Midwest (lb.)	$1.04	$1.20	$1.19
Potatoes, round white (50 lb.)	$3.50	$2.25-$2.50	$2.25-$2.38
Rice, No. 2, milled, Arkansas (cwt.)	$26.50	$16.00-$17.00	$17.00-$18.00
Sugar, cane, refined, NYC, (lb.)	$0.2910	$0.3310	$0.3360
Tomato Ketchup, Fancy, California (6/10)	$14.00	$16.30	$15.80

Source: *NRN* research

Prices listed are packers f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing market movement in price.

Senate endorses penalties for hiring of illegal aliens

By Ken Rankin

WASHINGTON—Controversial new legislation setting Federal criminal penalties for restaurateurs and other employers who knowingly hire illegal aliens sailed through the Senate and was headed for a final House showdown as *Nation's Restaurant News* went to press.

The measure—which had drawn vigorous opposition from food-service leaders—was sheparded through the Senate by Sen. Alan Simpson (R-Wyo.) despite efforts by Congressional liberals to water down the illegal alien hiring penalties.

Under the terms of the bill restaurateurs will be required to verify the immigration status of all job applicants, and maintain records proving that they had obtained appropriate identification from each worker.

Although the Senate-passed immigration "reform" measure applies equally to all United States businesses, the sanctions on employers pose a particularly serious problem for food-service operators because of the large number of illegal aliens who are attracted to unskilled restaurant work.

Fast feeders and other large restaurant chains appear particularly vulnerable under the terms of Simpson's bill because the measure specifically exempts firms which employ fewer than four illegal aliens.

Eventually, the legislation calls for the development of a "tamper-proof" national identification card to streamline the verification process, but the creation of such an I.D. may be years away.

In the meanwhile, employers will be expected to check the birth certificate, passport or driver's license of all job applicants and maintain records of these documents for presentation to Federal immigration officials upon demand.

Although the penalties for employers found in violation of these requirements are subject to change in the House version, Simpson's Senate bill called for fines of up to $500 per worker for even routine recordkeeping lapses, and criminal penalties of up to $2,000 and six months in prison per worker for employers who knowingly hire illegal aliens.

Ironically, restaurant industry lobbyists found themselves at odds with many of their traditional Senate allies on the immigration bill and for a time opponents of the measure were

(Continued on page 172)

Pizza Inn pins its profit hopes on chainwide pan pizza rollout

DALLAS—Pizza Inn hopes to reverse a decline in profits this second half of the fiscal year with its systemwide rollout of deep-dish pan pizza.

Channing Arnold, marketing vice president, said the company hoped to have the deep-dish pizza in all company stores by the end of this year.

At present, more than half of the chain's approximately 270 company stores are offering the product.

Arnold said that in test markets the pan pizza accounted for about 30% of total pizza sales.

Pizza Inn now offers three types of pizza: a traditional thin crust, a thicker-crusted Sicilian and the new deep-dish pan variety.

Arnold said that sales of the two thick-crusted products had "gone up substantially" to 45% of total pizza sales. The Sicilian accounted for 15% of sales and the thin crust for 55%.

The deep-dish pizza is selling for the same price as the Sicilian Topper in most markets: $4.65 for a small cheese, and $8.75 for a large cheese.

Arnold said the product would be made available to franchisees but they would not be compelled to offer it.

"Some were involved in the test," Arnold said of the franchisees. "They had very positive results."

Pizza Inn has about 150 franchisees operating more than 400 stores.

Some food-service experts say deep-dish pizza is a slower-cooking pizza and thus is less attractive to lunchtime customers who are usually in a hurry. Asked about the potential impact of a deep-dish pizza on lunchtime sales, Arnold said "the effect should be positive." Because of the type of oven and the materials used in making the pan pizza, he said, the cooking time should be about the same as for the other pizzas.

He said the pan pizza would be added to the stores' lunchtime buffet, giving customers a third pizza choice.

The new product was test-marketed in units in Dallas, Houston and Atlanta.

In a news release detailing financial information for the first half of this fiscal year, the company said that "initial test results" of the pan pizza indicated "excellent acceptance.

"We expect this new product to add to improved operating results in the second half of 1982," the company stated.

For the first 26 weeks, profits were down slightly to $885,000 compared to the same period last year. Sales were up 2.7% to $69 million.

Sambo's taps DDB/West; court O.K. is next step

CARPENTERIA, Calif.—Doyle Dane Bernbach/West of Los Angeles has been selected by Sambo's management to handle both a short-term repositioning project (including rollout of a new name for the struggling chain), and the company's full account for 1983.

Sambo's must now gain approval for the selection from the courts regulating the company's operations under Chapter XI bankruptcy rules. The bankruptcy court will also reportedly be the final source of approval for Sambo's advertising budget, rumored to be earmarked for as much as $15 million over the next year. The fall name-change campaign will reportedly be a $3 million effort.

The all-but-official new name "Pleaser's For Your Appetite" will be the thrust of the company's repositioning strategy (*see earlier story, page 94*). However, Sambo's executives, tight-lipped about any details of the company's efforts at recovery, are reportedly hamstrung by the necessity of gaining court approval for spending plans through its creditors' committee, which acts as an intermediary between the company and the court.

New York ad firm Geers Gross, Sambo's agency-of-record at the time of the switch to DDB/West, had handled the chain's account for about a year prior to an unsuccessful bid for future business. Geers Gross is a member of Sambo's creditor's committee.

On another front, Sambo's has hired Carl Jacobs as vice president of human resources. Other positions recently filled include purchasing vp, production vp and corporate planning director. Jacobs refused to disclose the names of those appointments.

Anheuser-Busch seeks to purchase El Chico

DALLAS—A state regulatory agency said it would force the sale of the 83-unit El Chico chain here if a pending acquisition of its parent company, Campbell-Taggert, is completed by beer manufacturer Anheuser-Busch.

A Texas statute, the so-called "three-tier law," forbids any company involved in the manufacture or distribution of alcoholic beverages to hold retail liquor licenses in the state of Texas.

A spokesman for St. Louis-based Anheuser-Bush said the company would comply with the decision of the Texas Alcohol Commission. The company, the largest brewery operation in the world, conceded it has not yet begun to search for a buyer.

The TAC's decision stemmed from a ruling that the three-tier law affects companies whose owners are based in other states. Campbell-Taggert, the largest bread manufactuer in the United States, is based in Dallas.

Although El Chico's Mexican dinnerhouses are spread throughout several Southern states, 49 of them are in Texas.

The company was acquired by Campbell-Taggert in 1977 after years of operation by its founder, Gilbert Cuellar. Reaction to the company's pending sale at El Chico headquarters was muted; top executives Richard Rivera and Wayne Musgrave did not return telephone calls asking for comment on the company's future.

Several food-service companies are said to be preparing to bid for the El Chico chain, counting on Anheuser-Busch's reluctance to close down the restaurants or forfeit their liquor licenses while looking for a buyer.

FINANCIAL NEWS

Denny's sales hit $1.05B; marketing is key

LA MIRADA, Calif.—Denny's Inc. has posted systemwide sales of $1.05 billion for the fiscal year ended June 25. Net corporate income for the year was up 36.6% to $36.8 million on revenues of $955.7 million, up 12.6% over last year.

Net income for the fourth quarter of fiscal 1982 was $10.4 million on revenues of $252.3 million, compared with fourth-quarter income of $8.4 million on sales of $224.5 million a year ago.

Company sources credit intensified marketing efforts as the basis for an increase to 209 in the number of Denny's restaurants with sales over $1 million, compared to 126 last year and 57 the year before that. Average sales per unit increased by 9.1% in 1982 to $907,000, compared with $831,000 per restaurant in 1981. About half the increase was attributed to higher customer traffic.

Denny's president and ceo Vern O. Curtis reported that restaurant division margins, corporate profit margin and return on equity improved during 1982, with shareholders' equity reaching $224 million at the end of June, equal to 47.6% of total capitalization.

Curtis also indicated that the company is increasing its share of the market dominated by chains, including those regional chains making strong bids at boosting their share of the coffee shop segment. "We are continuing to refine our operations and regionalize our menu in order to compete effectively with these groups," he said.

A slowdown in chain expansion during 1982, when only 15 restaurants were built, coincided with the company's reevaluation of its site-selection process. "This effort has now been completed," Curtis said, "and during the 1983 fiscal year we plan to develop around 50 new restaurants."

During 1982, 39 restaurants now operated by Denny's were acquired from other chains. The company is now proceeding with the conversion of 23 of the Alphy's restaurants in southern California acquired earlier this year.

During the fiscal year, Denny's opened 54 domestic restaurants, closed one and converted four from franchised to company operation. Foreign licensees opened 18 units and closed one. At fiscal year-end there were 1,071 Denny's open, including 856 company-operated units, 34 domestic franchised units and 181 foreign licensed units.

Also in the year, three Winchell's Donut units were opened while 37 were closed. At year's end there were 836 doughnut shops in the United States and 14 abroad.

Winchell's contribution to revenues was up 3.6% in the year, to $156.5 million. Average sales per unit rose to $184,000 in the year, compared to $168,000 in 1981.

Canteen's pretax earnings slide

CHICAGO—Canteen Corp. reported second quarter pretax earnings of $4.2 million, down $300,000 from the $4.5 million earned in the previous year.

Operating revenues were down $8.1 million, or 4.1%, to $189.7 million, while operating expenses decreased $7.1 million, or 3.7%.

In the first six months ended June 30, the contract food management company had pretax earnings of $5.7 million, down $200,000 from the $5.9 million earned in last year's comparable period.

Six-month operating revenues declined $12.3 million, or 3.2%.

Canteen officials said the company continued during the most recent quarter to pursue new business.

Food-service chain stock analysis table

Name	Symbol	STOCK PRICE Two Weeks Ended Aug. 27 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend (% per day) Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend (% per day) Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs. Preceding 12 Months Change Amt	Latest 12 Months vs. Preceding 12 Months Change Pct.	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd Rate Amt	Indicated Dvd Rate Yield	Last X-Dvd Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil	$ Mil	—	$	$	—
Aca Los A Res	ALAR	5.63	5.00	5.63	.63	12.50	7.50	3.50	.41	1.55	-8.08	33.06	.47	-.48 S	-109.0	-5.0	4.3	NE	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	18.75	16.38	18.13	1.75	10.69	20.88	10.00	-.33	.31	-5.52	28.39	1.66	.41 N	26.2	34.0	6.3	9.2	.22	1.2	08-10-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	32.00	26.50	31.25	4.25	15.74	32.00	23.50	.01	1.83	1 24	23.13	4.00	-1.28 N	-27.0	-2.0	1.5	9.0	2.00	6.4	08-26-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.38	5.13	5.38	.25	4.88	6.50	4.88	-.59	.69	-.27	8.89	.66	-.01 N	-1.5	-10.0	2.6	8.5	.12	2.2	06-08-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5.13	4.75	4.88	-.13	-2.50	6.50	2.88	-.69	-.34	-6.07	44.77	.62	.11 S	18.9	32.0	2.4	7.1	.00	.0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	25.75	21.75	24.00	2.41	11.14	25.75	16.13	.26	-.48	4.08	10.46	1.45	.20 Q	16.0	24.0	7.9	16.6	.36	1.5	08-16-82	173.4	13.7	1.7	.0	7	0482
Bonanza Intl Inc	BNZA	1.88	1.63	1.88	.25	15.38	2.75	1.06	-.83	-.70	-6.76	-8.51	-3.33	-2.56 S	NE	-65.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	13.13	10.00	12.63	2.63	26.25	17.50	9.63	-.30	1.12	-1.11	20.20	.59	.40 S	129.0	24.0	4.3	17.8	.10	.8	06-29-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	8.50	8.25	8.50	.25	3.03	9.00	7.16	-.31	.32	-2.79	6.90	1.11	.11 Q	11.8	5.0	3.2	8.2	.20	2.4	07-29-82	37.0	1.2	.6	1.5	2	0282
Carrols Develop	CRL	6.13	5.00	5.63	.63	12.50	6.38	3.97	-.26	-1.65	-2.43	-14.29	.66	.27 F	69.2	39.0	1.9	8.5	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	23.38	17.63	23.38	6.13	35.51	23.38	15.25	-.02	2.15	1.00	18.21	2.03	.23 S	12.4	14.0	5.0	11.2	.60	2.6	06-24-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	18.38	13.88	18.25	5.13	39.05	18.75	10.09	-.59	1.11	.97	.37	.55	.22 F	66.6	34.0	11.1	33.2	.00	.0	06-28-82	14.9	2.1	3.1	1.1	1	0481
Ch Full O Nut	CHF	18.00	15.75	16.63	.63	3.91	18.00	9.13	.15	-.12	-4.79	-9.54	.66	-.44 N	-51.1	20.0	2.7	39.6	.40	2.4	07-01-82	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	31.38	25.88	29.75	4.00	15.53	33.50	25.00	.10	.80	-3.97	7.57	3.52	.15 S	4.6	17.0	10.8	8.7	1.00	3.4	07-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3.13	3.00	3.00	.00	.00	3.63	2.50	.32	-1.73	2.27	-36.04	-.06	1.37 F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.2	0	1281
Collins Foods	CF	16.13	12.75	16.00	2.63	19.63	16.13	7.75	.15	2.91	1.82	34.44	1.69	.54 F	46.9	13.0	3.2	9.5	.20	1.3	07-19-82	298.0	9.6	1.3	7.4	11	0482
Consul Corp	CNSL	7.13	6.00	7.13	1.25	21.26	8.13	5.25	-.68	2.88	-3.90	32.97	.00	.08 F	NE	NE	.0	NE	.00	.0	00-00-00	17.6	.0	.7	2.2	3	0582
Cracker Barrel	CBRL	9.75	9.25	9.50	.25	2.70	11.00	7.25	-.34	-.62	-5.82	.00	1.00	1.01 S	NC	21.0	3.2	9.4	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	28.50	24.13	28.00	4.00	16.67	28.50	14.75	-.21	.33	-.79	8.32	2.47	.45 F	22.2	7.0	3.9	11.3	.64	2.3	09-03-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	18.50	16.25	18.50	2.75	17.46	18.50	11.13	-.11	1.78	-3.30	11.66	1.82	.25 N	14.0	19.0	8.3	9.1	.36	1.9	08-09-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	9.75	8.38	8.88	.13	1.43	11.63	5.78	-.91	-2.30	-5.03	12.04	1.87	.50 F	36.4	14.0	3.8	4.7	.38	4.3	06-29-82	101.0	3.8	1.5	6.5	14	0582
Hambrg Hamlet	HAMB	5.50	5.50	5.50	.00	.00	8.25	5.00	-.91	-.66	-1.97	.00	1.35	1.08 F	400.0	-13.0	3.2	4.1	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	1.63	1.50	1.63	.13	8.33	4.38	1.38	.07	1.03	-2.79	.00	-2.22	-3 88 S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	36.75	27.75	36.00	8.25	29.73	41.63	27.63	.01	.77	.40	-12.36	4.22	-.37 S	-9.0	22.0	20.9	9.7	1.80	5.0	08-30-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	31.63	25.25	30.63	5.75	23.12	31.63	21.88	-.07	-.48	-1.68	-4.58	3.66	1.20 S	47.8	25.0	7.8	8.3	.80	2.6	06-10-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	46.00	43.75	45.25	6.75	17.53	46.00	33.00	-.27	-.10	9.32	-38.68	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17.75	15.50	17.25	1.88	12.20	19.25	7.28	-.54	.02	-1.67	11.47	1.05	.09 S	10.0	31.0	2.7	17.4	.00	.0	01-11-82	166.1	4.5	1.7	12.6	7	1281
Hungry Tiger	HTIG	10.00	9.00	9.50	.75	8.57	10.25	6.00	.02	-2.15	-3.03	-18.44	.92	.18 N	20.4	41.0	3.2	9.0	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.81	1.56	1.69	.06	3.85	1.88	1.06	-.11	-1.14	1.83	-11.11	.24	.00 F	.0	2.0	2.0	7.0	.14	8.3	09-28-82	8462.9	171.0	1.1	.7	2	1081
Intl Dairy Queen	INDQ	14.50	13.75	14.50	.50	3.57	14.50	9.25	.23	-.61	-5.39	46.15	1.72	.34 S	22.5	38.0	6.1	7.8	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	4.63	3.50	4.63	1.13	32.14	4.63	1.75	.64	.29	-1.92	9.60	.34	1.09 F	NE	-34.0	1.4	13.6	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	6.25	5.75	6.13	.38	6.52	7.63	2.88	-.93	-.80	-4.17	15.08	.63	.29 N	53.7	1.0	3.0	7.4	.16	2.6	08-09-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	21.50	15.88	21.50	5.50	34.38	22.50	15.63	-.23	.53	-.46	-14.82	1.75	.07 F	4.1	20.0	5.1	12.3	.12	.6	05-10-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3.75	3.25	3.38	-.25	-6.90	4.50	3.25	-.36	-3.06	2.36	28.57	-.24	-.17 N	NE	-31.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	18.75	15.50	18.75	3.25	20.97	19.25	10.75	-.48	1.55	.10	1.07	.89	.27 Q	42.8	111.0	8.1	20.8	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Karcher Carl	CARL	14.88	12.25	14.88	2.88	23.96	14.88	8.88	-.33	.75	-1.61	9.66	1.51	1.68 Q	NC	17.0	3.4	8.9	.00	.0	00-00-00	200.6	6.9	1.9	6.4	8	0182
Lubys Cafe	LUB	28.88	26.88	27.50	.63	2.33	32.00	23.50	-.30	-1.50	.89	25.15	1.45	.25 N	18.1	23.0	9.1	16.9	.60	2.2	09-03-82	108.2	9.8	1.1	.9	6	0681
Marcus Corp	MRCS	7.13	7.13	7.13	.00	.00	7.25	5.00	-.05	-.65	-5.69	-22.09	1.13	-.02 F	-1.7	6.0	5.7	6.3	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	44.50	33.75	41.63	8.13	24.25	44.50	31.63	.02	.39	-.86	-9.06	3.20	.37 S	12.6	30.0	4.3	12.7	.30	.7	09-20-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	81.38	69.63	78.50	9.00	12.95	81.38	56.75	-.07	-.55	-.09	-18.35	6.54	.95 S	15.7	18.0	10.7	11.2	1.20	1.5	07-20-82	2477.2	264.8	.5	23.0	34	1281
Morrison Inc	MORR	12.38	11.25	12.13	.88	7.78	12.38	8.13	-.14	1.01	-2.81	24.24	1.16	.21 F	22.1	8.0	4.1	10.5	.36	3.0	07-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.00	1.75	1.75	.00	.00	3.38	1.75	-.92	-.75	-.57	-10.34	.22	-.47 N	-293.7	-23.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.00	.81	1.00	.19	23.08	1.88	.63	.09	4.20	-1.44	15.63	.03	.90 F	NE	NE	.6	33.3	.00	.0	00-00-00	16.7	.1	.5	.1	2	0382
Oakbrook Cons	OKCO	10.00	9.00	10.00	1.00	11.11	10.50	9.00	.13	-.63	11.35	.00	1.74	-.83 N	-47.9	3.0	1.3	11.1	.32	3.2	06-08-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	5.25	4.63	5.13	.25	5.13	11.38	4.63	-.15	1.12	-1.77	25.85	1.01	-.81 N	-84.3	24.0	5.4	34.2	.20	3.9	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	14.75	14.00	14.50	.75	5.45	18.13	13.50	-.50	.37	1.53	-9.90	1.39	.09 F	6.9	14.0	5.9	10.4	.56	3.9	09-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.38	4.50	5.13	.50	10.81	8.13	4.50	-.43	1.94	.77	34.85	.50	-.09 S	-15.2	-7.0	1.0	10.3	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	27.00	20.75	26.50	6.25	30.86	32.50	18.00	-.37	1.14	-1.71	-10.67	.58	.90 S	529.4	41.0	7.2	24.8	.00	.0	00-00-00	36.2	2.6	3.2	.8	8	1281
Ponderosa Sys	PON	20.25	15.38	19.63	4.38	28.69	20.25	11.75	-.33	1.82	-1.56	28.66	2.01	1.13 Q	137.8	-10.0	2.4	10.1	.40	2.0	06-11-82	353.9	8.5	1.0	20.0	17	0282
Ramada Inns	RAM	5.25	4.63	5.00	.38	8.11	7.38	4.25	-.25	.69	.34	7.31	.05	-1.45 S	-196.6	-29.0	.4	NE	.12	2.4	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	4.13	3.50	3.88	.38	10.71	5.50	3.25	-.43	-1.24	1.15	26.60	.97	-.33 S	-32.3	46.0	2.4	5.6	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	30.00	25.25	29.75	4.75	19.00	30.00	16.00	-.13	.46	-.91	-33.33	3.35	.99 F	41.9	19.0	1.9	8.9	.56	1.9	08-16-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	8.75	6.88	8.63	1.88	27.78	12.50	6.75	.11	2.95	-3.79	13.58	.68	-.08 S	-11.5	51.0	4.5	14.1	.00	.0	06-02-81	49.0	2.2	1.8	2.4	5	1281
Servico Inc	SRVI	8.25	7.50	8.25	.75	10.00	9.09	6.38	-.65	1.29	-6.02	40.32	1.54	-.82 S	-41.8	74.0	3.5	7.2	.00	.0	07-09-82	126.4	4.4	1.1	51.0	5	1281
Shoneys Inc	SHON	19.50	17.00	18.38	1.50	8.89	19.50	11.91	-.17	-.70	.84	-1.35	1.03	.25 N	25.7	21.0	5.5	15.1	.16	.9	06-28-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	12 50	11.00	12.50	1.50	13.64	12.50	8.50	.61	-.61	-3.90	-30.00	.94	-.66 S	-37.0	43.0	1.4	11.2	.20	1.6	06-25-82	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.81	2.75	2.75	.00	.00	3.13	2.38	-.10	-.60	-1.84	55.48	.06	-.15 N	-62.5	-32.0	.5	30.6	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	6.88	6.75	6.75	.25	3.85	6.88	4.25	.31	-.59	2.06	-8.70	-.38	-.43 Q	NE	-36.0	-1.5	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	6.50	5.75	6.50	.75	13.04	11.00	5.75	-1.02	.47	.19	21.30	.35	2.20 F	NE	-30.0	1.0	18.6	.00	.0	09-19-79	123.4	1.2	1.0	7.7	10	0382
Wendys Intl	WEN	18.75	15.50	18.25	2.88	18.70	18.75	12.25	-.15	1.17	.62	32.54	1.52	.14 S	9.7	18.0	7.6	11.6	.28	1.5	05-11-82	486.6	36.9	.6	3.8	8	1281
Webb Del E	WBB	7.50	6.13	7.00	.75	12.00	9.25	4.88	-.46	.33	-.40	13.42	.56	.64 S	NE	-28.0	1.3	17.9	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281
Winners Cp	WNER	10.25	9.25	10.25	1.00	10.81	11.50	6.38	-.62	.16	-5.88	-24.66	.67	.61 S	321.0	5.0	2.1	12.8	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281

KEY: NA Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Bonanza profits boosted by sale of People's stock

DALLAS—Bonanza, franchisor of 592 budget steakhouses, reported a net profit of $507,000 for the second quarter ended June 27, compared with a net loss of $1.7 million for the same period the previous fiscal year.

Revenues for the quarter increased 12% to $7.2 million. But this figure includes $1.8 million that Bonanza gained from the sale of its remaining stock in People's Restaurants, its spinoff concept.

Sales shrunk slightly to $94.6 million for the quarter, which company president John Boylan attributed to the ongoing shutdown of marginal units. The chain, which numbered 638 units at the end of 1980, has lost 38 units since the beginning of the year.

Boylan pointed to the relatively modest drop in sales at a time of unit closings as a sign of "Bonanza's renewed momentum in the marketplace."

The continuing conversion of the surviving Bonanza restaurants to the Freshtastick's concept—a modification involving a large food bar, a higher grade of beef, a higher check average and a marketing scheme based on "freshness"—accounts for the chain's 11% increase in per unit average sales during June, Boylan said.

About 250 of the budget steak units had been converted over the first half of the year, with another 150 expected to join them by its end. "Virtually the entire chain should be converted by mid-1983," Boylan added.

Dependent on the impact of recession upon prospective Bonanza franchisees, Boylan expects to add about 50 new Bonanza/Freshtastick's units in the next 12 months, paying special attention to markets where the company has withdrawn the traditional concept during the last few years.

Bonanza, still stung by the undercapitalization of many of its former franchisees, intends to resume expansion by licensing companies and avoiding individuals.

The company is now developing an upscale Italian dinnerhouse concept. Boylan said, the idea is aimed at a different market segment than the People's restaurants.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Horn & Hardart Co.	26 wks. 13 wks.	6/26	$107.481 59.791	35 38			$ 2.260 1.354	
Godfather's Pizza	26 wks. 13 wks.	7/13	 10.239		$ 19.498 10.239	28 25	2.729 1.367	30 17
Denny's Inc.	12 mos. 13 wks.	6/25			955.737 252.304	12 12	36.776 10.364	37 24
Kapok Tree Inns Corp.	40 wks. 12 wks.	7/4	9.588 2.442	(18) (24)			(206,000) (125,000)	
Sandwich Chef	12 mos.	7/3	17.011	25			783.606	17
Prime Motor Inns	12 mos. 13 wks.	6/27			54.826 14.788	16 9	9.098 2.349	40 51
Pizza Inn Inc.	26 wks. 13 wks.				69.030 34.793	3 0.5	885,000 443,000	(0.3) (25)
Garcia's of Scottsdale	28 wks. 13 wks.	7/18			13.722 5.714	241 157	777,000 258,000	10 1
King's Table	12 mos. 13 wks.		36.570 9.704	14 22			508,000 266,000	 682
Marcus Corp.	12 mos. 16 wks.	5/27			103.762 31.263	(15) (7)	5.884 1.478	(3) (11)
Nathan's Famous Inc.	13 wks.	6/27			4.882	0.5	358,452	7
Mr. Steak Inc.	39 wks. 13 wks.	6/27			22.988 8.100	4 6	(408,000) (26,000)	
Southland Corp.	6 mos. 3 mos.	6/30	3.258 1.725	22 20	3.272 1.733	22 20	44,684 35,169	
Picadilly Cafeterias	12 mos. 3 mos.	6/30	142.649 37.047	12 11			8.386 1.434	7 (17)

Source: *Company earnings reports*

**In millions*

†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Publicly held Peoples sees earnings jump

RICHARDSON, Tex.—People's Restaurants Inc., the operator and franchisor of 24 casual theme establishments, reported a net profit of $806,000 for the fiscal year ended June 27, compared with a loss of $40,000 during the previous year.

Sales increased 334% to $18.1 million over the year, when People's added 17 units and became independent of its parent company, Bonanza.

Sales increased 222% to $6.6 million during the fourth quarter when the company opened three new restaurants.

People's also has filed with the Securities and Exchange Commission its intention to sell one million shares of common stock.

Proceeds from the registration, according to company treasurer Jonathan W. Spatz, will be used to finance the opening of new restaurants.

The concept now includes about 26 casual-theme dinnerhouses with an average check of about $4.

The company recently named veteran Long John Silver's franchisee Guy Van Dyke as president.

Pizza Inn net drops 25% despite revenue increase

DALLAS—Pizza Inn reported profits down 25% to $443,000 in the second quarter ended June 27, compared with the same period last year.

Revenues rose just under 1% to $34,793,000 from $34,593,000 a year ago.

A company spokesman said that while average restaurant volumes were up 8.7% during the quarter, they did not "reach the levels we had anticipated."

Two other reasons given by the company for the lower profits were the start-up costs of a new promotional campaign and currency devaluation charges from its Mexican subsidiary.

The company reported one sign of optimism, however: per-unit sales averages in July increased by 14% over last July's averages.

For the first 26 weeks of fiscal '82 net profits were down slightly to $885,000. Pretax earnings were up 7.6%, however, to $1.27 million. A higher tax rate this year resulted in the lower net earnings, the company said.

Mr. Steak net plummets 81% in third quarter

DENVER—Mr. Steak, a chain of 252 dinnerhouses, reported net profit dropped 81% to $26,000 for the third quarter ended June 27 compared to the same period a year ago.

Sales for the quarter were up 17% to $2.4 million.

The company incurred a net loss of $408,000 in the three complete quarters of its current fiscal year, compared with a net profit of $384,000 for the same period the previous year.

But sales for the 39-week period have increased 9% to $3.6 million compared to the year before.

The third quarter's drop in profits is attributable to expansion of the company's field support staff, high interest rates to finance remodeling programs, and the expansion of Mr. Steak's meat processing facilities, according to Gary L. Atkinson, treasurer.

Increased customer counts in remodeled restaurants and sales of meat products to customers outside the Mr. Steak network made up much of the sales increase.

Godfather's reports 17% profit jump in 2nd qtr.

OMAHA—Godfather's Pizza Inc. reported that profits increased 17% to $1.4 million during the second quarter, ended July 4, over the comparable period last year.

For the first 26 weeks of this fiscal year, profits were up 30%, to $2.7 million from $2.1 million during the same period in 1981.

Total revenues were up 25% during the quarter, to $10.2 million from $8.2 million last year. For the 26-week period, revenues increased 27%, to $19.5 million from $15.3 million.

The company said it had added 91 restaurants to its system during the first 26 weeks of this year, making a total of 738 units in 43 states.

Pizza Time net skyrockets 453% in qtr.

SUNNYVALE, Calif.—Pizza Time Theatre Inc. has reported a 453% increase in net income for the second quarter ended June 17, compared with the same period last year. Profits in the quarter were $1,978,929 on revenues of $23.1 million, compared with $358,137 in profits on sales of $7.3 million in last year's second quarter.

The computerized-robot pizza theatre company more than tripled the number of stores in operation during the past year, with 129 units operating at the close of the second quarter. Of the total number of units, 67 are company-owned, accounting for $18.4 million in sales during the quarter.

Earnings Up

For the first two quarters of 1982, net income rose 653% to $3.6 million on revenues of $40.4 million.

In the second quarter Pizza Time settled litigation with Brock Hotel Corp. and received the required initial $750,000 payment from Brock, along with initial percentage payment on gross sales from the 160 Brock-operated units. Those amounts were part of the $4.7 million in revenues from franchised units during the second quarter, which also saw the addition of 12 new franchised centers to the Pizza Time fleet. At the end of the second quarter last year there were 22 company-owned units and 19 franchisees.

New Building

In April the company opened a 35,000-sq.-ft. games manufacturing facility in Hollister, Calif., which will supply as many as 150 game items per month to the pizza theaters.

Imasco Ltd. posts 41% increase in operating profits for 1st qtr.

MONTREAL—Imasco Ltd. reported its restaurant business line, now consisting of Hardee's Food Systems of Rocky Mount, N.C., and Burger Chef of Indianapolis, showed a 41% increase in operating profits for the first quarter ended June 30 compared to the year-ago period.

The merger of Burger Chef into Hardee's, a $4.4 million cash deal consummated in March, pushed Imasco's restaurant profits up to $20.9 million (Canadian) for the quarter, the company said.

Revenues rose 53% to $245.5 million (Canadian) for the quarter, compared to the prior-year period, the company said.

Imasco, also owner of Imperial Tobacco and Shoppers Drug Mart stores, reported companywide profits of $74.3 million (Canadian), a 28% gain, and revenues of $671.2 million (Canadian), a 29% gain over the 1981 first quarter.

Sandwich Chef net up 17% for year

BIRMINGHAM, Ala.—Sandwich Chef, a string of sandwich shops located largely in office buildings, reported net profits increased 17% to $783,606 for the fiscal year ended July 3, compared to 1981.

The company, which added 30 units for a year-end total of 168, reported sales of $17 million, a 25% increase.

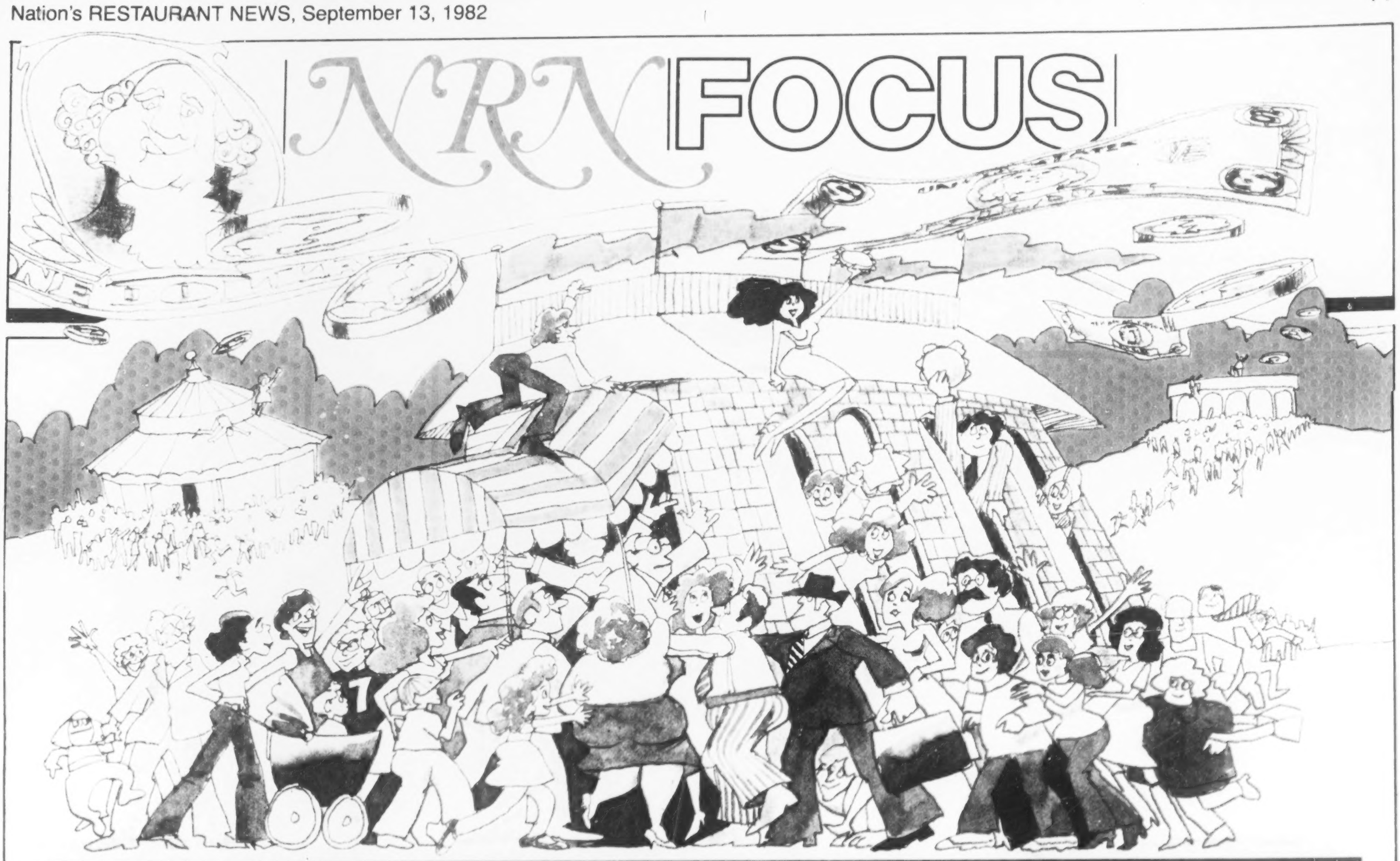
The company operates in Birmingham, Memphis, Dallas, Denver and Washington, D.C.

Bob Evans net up 7% in 1st qtr.

COLUMBUS, Ohio–Bob Evans Farms, a family restaurant operator and sausage-maker, reported profits in its restaurant division of $2.2 million for the first quarter ended June 30, an increase of 7% over the year-ago period.

Sales in the restaurant division reached $25.8 million, a 16% gain over the previous year.

Companywide, Bob Evans Farms earned $3.3 million, which was about the same as last year due to declines in sausage margins, on revenues of $44.4 million, a 12% advance over the first quarter of 1981.



THE TOP 10 VOLUME RESTAURANTS

A LOOK AT WHERE THE CROWDS GO

By Charles Forman

Twenty minutes by car from Boston is the highest grossing restaurant operation under one roof in the United States.

The restaurant, in Saugus, Mass., is the Hilltop Steakhouse. Its gross sales this year, including revenue from a retail butcher shop on premises, will be about $31 million. (The butcher shop accounts for nearly half of total sales, according to estimates.)

The Hilltop is typical in many ways of all the operations on *Nation's Restaurant News*' list of Top 10 Volume Restaurants.

For one thing, it's a landmark, a destination for locals and visitors. For another, it's not just one business but several, really.

The Hilltop's accountant said that if you went so far as to count cigarette sales as a separate revenue line—as he does—The Hilltop Steakhouse is 12 businesses.

At the No. 2-listed Inhilco-owned Windows on the World, that situation is much the same. The Windows operation on two floors of the World Trade Center at the foot of Manhattan also encompasses many different businesses, including massive private dining and catering services.

If all Inhilco's food-service sales in and around the World Trade Center were totaled, the sum would be about $37 million this year, according to a company spokesman.

But that includes sales of street vendors peddling hotdogs, contract services to companies within the giant twin-towered office building, the immense Market Dining Rooms complex of restaurants at the bottom of the towers and more, in addition to Windows on the World.

Almost all the restaurants listed are destinations. Fully half of Windows on the World's customers are visitors to New York. They come to dine and drink romantically at one of the tallest buildings in the world with its renowned view of New York harbor.

At Mama Leone's one draw is New York's theater district; another according to executives at parent Restaurant Associates is simply the fame of a tradition-associated name.

At The Manor, West Orange, N.J., the setting of 22 acres of manicured grounds, including a museum, an in-house florist shop, two chapels, a waterfall, fountain and gazebo is an attraction to 1,200 customers a day.

At the top volume restaurants almost all the numbers are big.

Fifty thousand customers a week visit the huge volume Hilltop Steakhouse, which sports a 6-ft. high sign

(Continued on page 72)

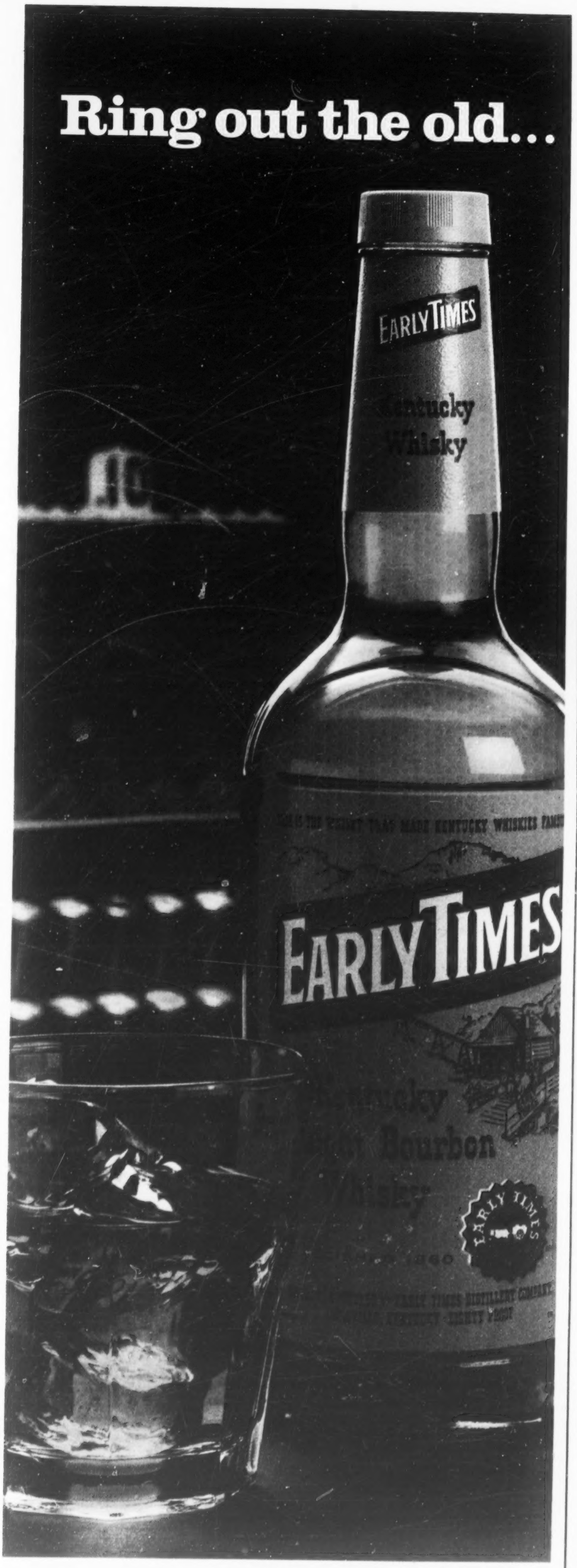
TOP 10 VOLUME RESTAURANTS

	1982 Projected Sales			% Costs				Per Person Check Averages	
	Total* (in millions)	Food	Beverage	Food	Labor	Employees	Seats	Lunch	Dinner
The Hilltop Saugus, Mass.	$31.0					600	1,350	$ 5.00	$12.00
Windows on the World New York	21.5	60%	40%			490	1,550	21.00	37.00
Tavern on the Green New York	18.0	70	30			425	944	18.00	31.00
***The Manor West Orange, N.J.**	14.0	—	—	—	—	250	446	not served	32.00
Anthony's Pier 4 Boston, Mass.	13.2	72	28	40%	27%	375	880	13.00	22.00
Spenger's Fish Grotto San Francisco	12.0	81	19	55	33	240	730	7.00	7.00
The "21" Club New York	10.8	68	32	40	25	290	500	32.00	63.00
Rosie O'Grady's Orlando	10.7	71	29	37	35	540	400	7.00	14.00
Mama Leone's New York	8.5	84	16			250	850	11.00	17.50
Mai-Kai Fort Lauderdale	8.0	58	42	41	38	225	675	not served	22.50
Maxwell's Plum San Francisco	8.0	72	28	33		208	628	11.50	24.50

Source: *NRN* research

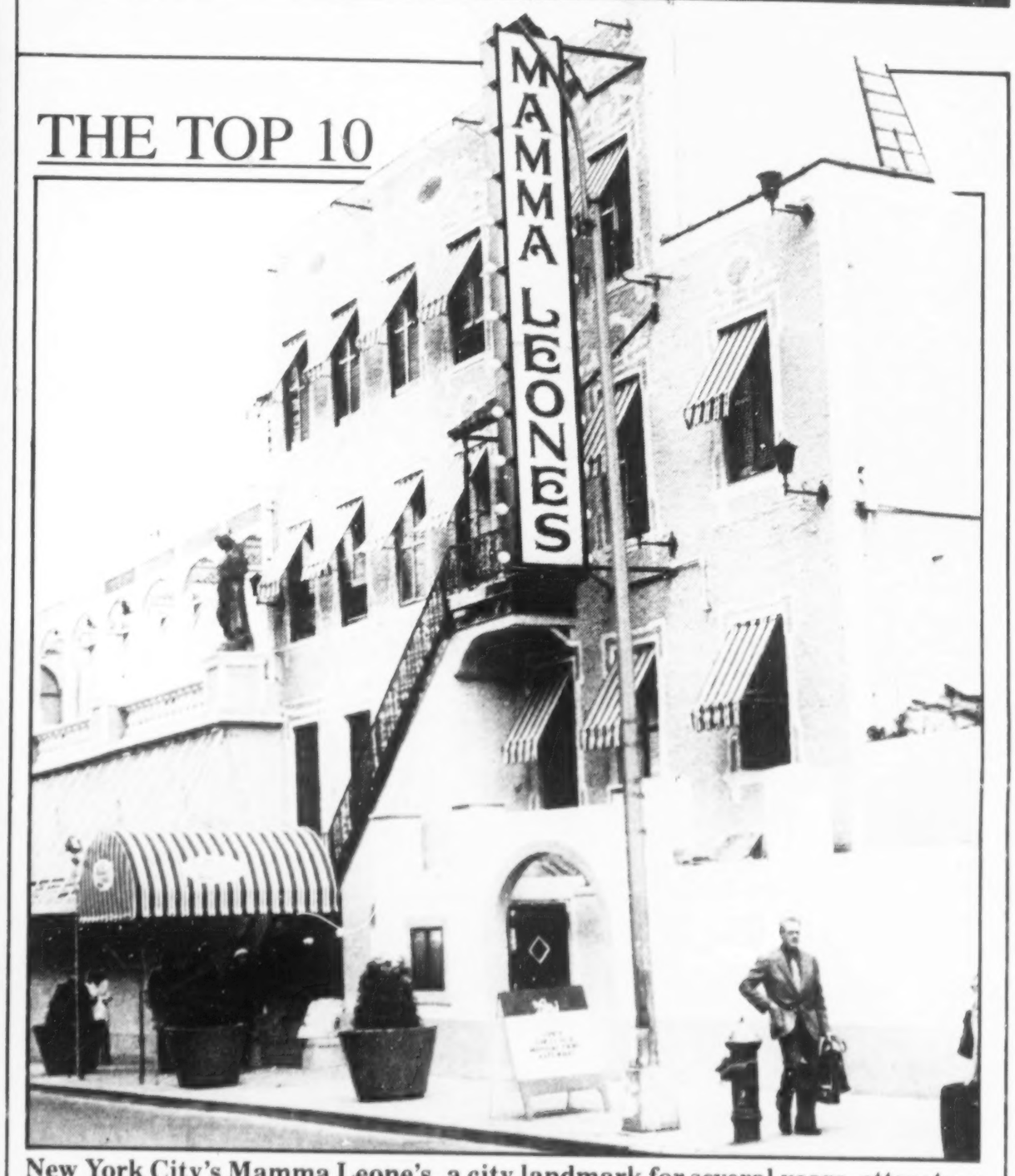
*All volumes include banquet, party, catering and other subsidiary operations of each restaurant.

The majority of these extremely high-volume operations are destination restaurants offering generous portions at a modest price. Many are also landmarks.



NRN FOCUS

THE TOP 10



New York City's Mamma Leone's, a city landmark for several years, attracts a large volume of tourists because of its fame-associated name.

Where the crowds gather

(Continued from page 71)

80 ft. off the ground and visible for miles. Each customer dines in one of the restaurant's 1,350 seats. They are served by waiters and waitresses from a staff of 600.

Hilltop emphasizes price-value with a lobster or 1-lb. filet mignon—including a large salad, potato or rice, rolls and ¼-lb. of butter—for $10.95.

As at others on the top-volume list, customers are offered generous portions at a modest price. Combined lunch and dinner average check is about $12 per person.

A survey completed at Restaurant Associates' Mama Leone's last fall showed that 30% of that restaurant's customers were attracted by the extensive menu while another 30% came "for the perceived value of abundant portions."

Besides a heavy tourist business, a destination locale and a wide ranging menu, other elements in a super volume seem to be long hours of business and, for at least some, no dress code.

But that doesn't mean that running such a restaurant is easy. The problems can be as staggering as the sales.

Most of the restaurants on the list hold $100,000 or more of food inventory at any given moment.

Several do about half a million pounds of laundry each year.

All frequently spend weeks or months ferreting out a supplier who can give them a consistent product in the quantities they need.

And at least one top-volume manager admitted to wondering just how many times a 20-year-old oven could be rebuilt.

At each of these restaurants their hordes of employees (they number from 208 to 600) require training and retraining.

At Windows on the World, said director Alan Lewis, "We have constant training programs starting with training for the trainers. We have periodic required retraining for old staff and all service personnel go through our wine course."

The Manor has an audio-visual department that provides videotapes for the staff on every aspect of the restaurant's operations. The tapes, including ones on service, how to pour wine, and how to set up a dessert cart run continuously each night on monitors in the kitchen.

General Manager Bill Boggier also arranges regular lectures, slide presentations and educational staff meetings for the restaurant's personnel.

Most said, however, that despite the obvious problems of bigness, they had ironed out their operation's details to a great degree.

Today's problem, they agreed, is keeping up a constant flow of promotion, merchandising and advertising programs to keep those armies of customers heading their way.

At Mama Leone's, said an official, "We continuously merchandise and advertise through promotions." He cited a particularly successful promotion involving singer Jerry Vale.

At Windows on the World, likewise, a wide-ranging promotion program was pointed to as the major ongoing concern of top management.

All in all, the patterns of the landmark operations on the Top 10 Volume Restaurants List is remarkably clear. But as with all legends, their path to success may not be as easy to follow as it is to look at.

COMPOUND ANNUAL GROWTH RATES OF SELECTED CHAINS

	1982* (Estimated)						1983-1987 (Projected)					
	Expansion	Avg. Check	Cust. Counts	Revenues	Net Income	Dividends	Expansion	Avg. Check	Cust. Counts	Revenues	Net Income	Dividends
Chart House:	– 8%	4%	–0%	10%	– 6%	11%	6%	5%	2%	13%	15%	15%
Burger King	– 1	5	1				2	5	2			
Steakhouses	2	3	–2				4	5	2			
Other	275	3	4				40	5	3			
Church's Chicken	8	2	0	7	– 2	19	9	5	5	20	20	25
Collins Foods Int'l:	1	7	4	12	20	25	2	5	3	10	13	13
Sizzler	0	8	6				4	5	4			
KFC	2	5	2				0	5	2			
Denny's:	3	5	3	12	37	14	7	5	3	15	17	15
Coffee Shops	4	5	4				8	5	3			
Winchell's	– 7	7	0				1	5	1			
Jerrico	14	5	2	15	10	50	13	5	3	20	23	20
Luby's Cafeterias	7	6	2	15	15	15	9	5	2	15	15	15
McDonald's	9	3	2	13	13	26	6	5	2	13	15	17
Pizza Inn	– 11	5	5	3	100		4	5	2	10	12	
Ponderosa	0	3	5	12	24	0	2	10	2	15	17	15
Sea Galley Stores	33	5	1	50	40		19	5	3	27	22	
Shoney's Coffee Shops	12	5	3	17	20	19	10	5	2	17	17	17
Captain's D's	20	5	3				13	5	3			
Wendy's				29	14	7				15	15	15
Unweighted Company Avg.				16	25	19				16	17	17
Excluding Pizza Inn				17	18	19						
Standard & Poor's 500 Index					– 15	5					9	7

Source: E. F. Hutton

*Compared with 1981

Hutton forecasts modest chain growth

NEW YORK—Some of the leading food-service chains will post small increases in customer counts this year and in the five-year period from 1983 to 1987, according to a forecast by E. F. Hutton, the Wall Street brokerage firm.

The increases in customer traffic at the chains E. F. Hutton tracks would be accompanied by modest to significant jumps in net income, running far ahead of what is expected at the firms on Standard & Poor's 500 Index.

Of the 13 food-service firms in E. F. Hutton's forecast, only Chart House's steak restaurants will show a dropoff in customer counts this year—about 2%. Church's Fried Chicken and Winchell's Donut Shops will have flat counts and the other chains will post gains in customer traffic of between 1% (Sea Galley and Chart House's franchised Burger King restaurants) and 6% at Sizzler steakhouses.

Modest gains in customer traffic, ranging from 1% to 5%, are expected at the 13 food-service chains on a compound annual basis in the next five years.

Hutton expects a 2% rise in traffic at Chart House and that firm's Burger King units and steakhouses; a 3% increase at Collins, Denny's, Sea Galley, Captain D's and Jerrico (Long John Silver), and a 5% rise at Church's.

Net income will be up this year at 12 of the 13 firms. Only Church's will show a drop in net income this year (about 2%), according to Hutton. Some of the companies will post significant increases in their profits, including Shoney's (20%), Sea Galley (40%), Ponderosa (24%), Pizza Inn (100%), Denny's (37%) and Collins (20%).

The compound annual growth rate in profits at these 13 chains from 1983 to 1987 will range from 12% at Pizza Inn to 23% at Jerrico.

Average checks at these selected chains will increase between 2% and 7% this year and between 5% and 10% annually over the next five years.

Gosnell expands its Point Tapatio resort centers

PHOENIX—Gosnell Development Corp., operator of the new 64-acre Pointe Tapatio resort and The Pointe resort here, has begun preliminary development of a 400-acre, $364 million South Mountain expansion of its properties.

In the works are a 16,000-sq.-ft. ballroom, set to open by year's end. The total development will include close to 800 guest suites, a 1,500-seat convention center and six restaurants.

A sushi chef is reportedly being brought in from California for one of the operations, and the resort's Rustler's Roost restaurant is being renovated to seat 1,800 diners.

The development, in the north central part of the city, will eventually include two million sq. ft. of office space. Already in use are 226 hotel suites, two restaurants and a variety of recreation facilities.

Mass. nixes rollback of bar closings

BOSTON—Much to the relief of the Massachusetts Restaurant Association, the state house of representatives last month defeated by 96-to-55 an amendment to drunk-driving legislation that would have rolled back bar closings from 2 a.m. to 1 a.m. statewide.

The bill in its final form poses no threat to the industry, the trade group said in a statement authored by attorney John Coyne.

The commonwealth's legislature had interrupted their summer recess to stiffen drunk driving penalties.

The defeated amendment was aimed at standardizing closing hours which can vary from town to town, causing drunk drivers to race from one to the next to make a last call, sponsors said.

Opponents argued it would have hurt Massachusetts' convention standing and usurped home rule prerogatives.

'Just get me to Burger King on time,' insisted groom

JASPER, Tex.—A local couple got married here their way—at a Burger King.

Debby Beard, 19, an employee at the restaurant, and Rudy Lane, 18, who works at a local Pizza Inn, tied the knot in a candlelit afternoon ceremony even as business continued as usual at the drive-thru window. But the dining room itself was closed for the ceremony and celebration for a couple of hours.

Counter employees wearing their usual brown and orange Burger King uniforms tried to keep a straight face. And one guest quipped, "What are we going to throw? Whoppers?"

The decision to get married at the Burger King started on a whim.

"We were talking about the wedding and one of the girls said, 'Let's have it here,' and after that it just kept going that way," the bride told the *Beaumont Enterprise*, a local newspaper.

And when Debby called her fiance in San Diego, where he was stationed in the Navy, to tell him of the plans, he thought she was joking.

"I thought, you've got to be kidding, I'm not getting married in a Burger King. Then I found out she was serious, and I decided it was all right with me, I guess," Rudy said.

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NRA NATIONAL RESTAURANT ASSOCIATION

Gira maps fast food

GENEVA—Gira S.A., a Swiss food-service research firm, plans to publish a projected study of the future of fast food in France to the end of this decade.

"The Fast Food Market in France, 1982-1990" will attempt to forecast growth trends, costs, prices and societal fallout, the company said.

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Vending companies show slight rise in profit margins

CHICAGO—Pretax profit margins of vending machine companies rose slightly in 1981 to 3.7% of sales from 3.2% in 1980, but remained below the 5% level "which prevailed during the years before the economic turndown," said G. Richard Schreiber, president of the National Automatic Merchandising Association (NAMA).

The most favorable margins were achieved by companies with sales of $10 million or more, at 4%, and by those with sales from $750,000 to $2 million, which netted 3.6% of sales before taxes, according to a study of 166 firms conducted for NAMA by Price Waterhouse & Co.

Companies with sales between $2 million-$10 million posted the poorest average net profits, 2.2%, while those with under $750,000 in sales reported an average 2.8% pretax profit.

"The effect of the recession and of high interest costs is evident in that profits from operations dropped from 2.1% in 1980 to 1.8% in 1981 and interest expenses of smaller companies amounted to an average 1.4% of sales," Schreiber said.

Productivity, on the other hand, increased from sales per vending employee of $67,339 in 1980 to $84,856 per employee in 1981, Schreiber said.

Total industry volume is estimated to be in excess of $15 billion.

In a separate study by the Department of Commerce, underwritten by NAMA, the dollar value of 1981 vending machine shipments increased to $350,473,000 from $327,688,000 in 1980.

The increase comes as a result of higher prices, since the actual number of vending machines shipped in 1981 decreased to 504,841 units from 516,858 in 1980.

Some types of machines stood out as gainers in spite of the overall decrease in the number of machines produced. For example, shipments of the popular glass-front snack vending machines increased to 38,372 units from 36,675 in 1980. Soft drink machines also posted strong increases.

GROSS PROFIT AND SALES STATISTICS BY PRODUCT

1979-81

Products	Composition of Sales At Retail 1979	1980	1981	Average Sales Per Machine 1979	1980	1981
Cigarettes	11.4%	10.9%	12.2%	$2,800	$2,674	$2,582
Candy, Nuts, Gum	7.9	7.3	7.9	2,975	2,713	2,478
Cold Cup Beverages	8.3	7.5	7.5	4,605	4,465	3,842
Hot Cup Beverages	10.6	10.2	11.0	4,093	4,034	4,054
Ice Cream	0.3	0.3	0.3	1,456	1,604	1,339
Milk	2.8	2.8	3.3	3,404	3,474	3,403
Sandwiches, Salads, Entrees	5.0	4.9	5.4	4,212	4,178	4,275
Pastry and Snacks	8.0	7.0	6.6	3,417	3,228	3,015
Hot Canned Soups And Food	0.9	1.1	1.3	1,639	1,849	1,660
Bottled and Canned Drinks	6.2	5.4	5.0	5,566	5,350	5,670
Misc. Vending Machine Products	3.8	3.0	3.3			
TOTALS	65.2%	60.4%	63.8%			
Average Sales				$3,688	$3,502	$3,266
Sales Other Than Through Machines	34.8	39.6	36.2			
TOTAL SALES	100.0%	100.0%	100.0%			

Source: N.A.M.A./Price Waterhouse & Co.

Cigarette vending machines garnered the largest chunk of total vending machine sales in 1981.

Workshop topic:

Turn change into profit

NEW YORK—Why do some food-service operations survive, even flourish, as a result of change, when others do not?

That question will be addressed by Irving Eison, Dunkin' Donuts' product marketing and development vice president, at the semiannual Dynamic Leadership Action Workshop sponsored by New York University's Center for the Study of Foodservice Management on Oct. 4.

Titled "How to turn 'change' into dollars in the food-service market," the workshop will offer practical, down-to-earth ideas designed specifically for food-service professionals in commercial, institutional and supplier operations.

The program will be held at the Loeb Student Center, 566 LaGuardia Place, from 9:30 a.m. to 1:30 p.m. Workshop fee is $40; $35 for early registration before Sept. 30. Printed materials and brunch included. For additional information, contact Dianne Davis at 212-598-2369 or 212-688-8078.

Irving Eison
Dunkin' Donuts

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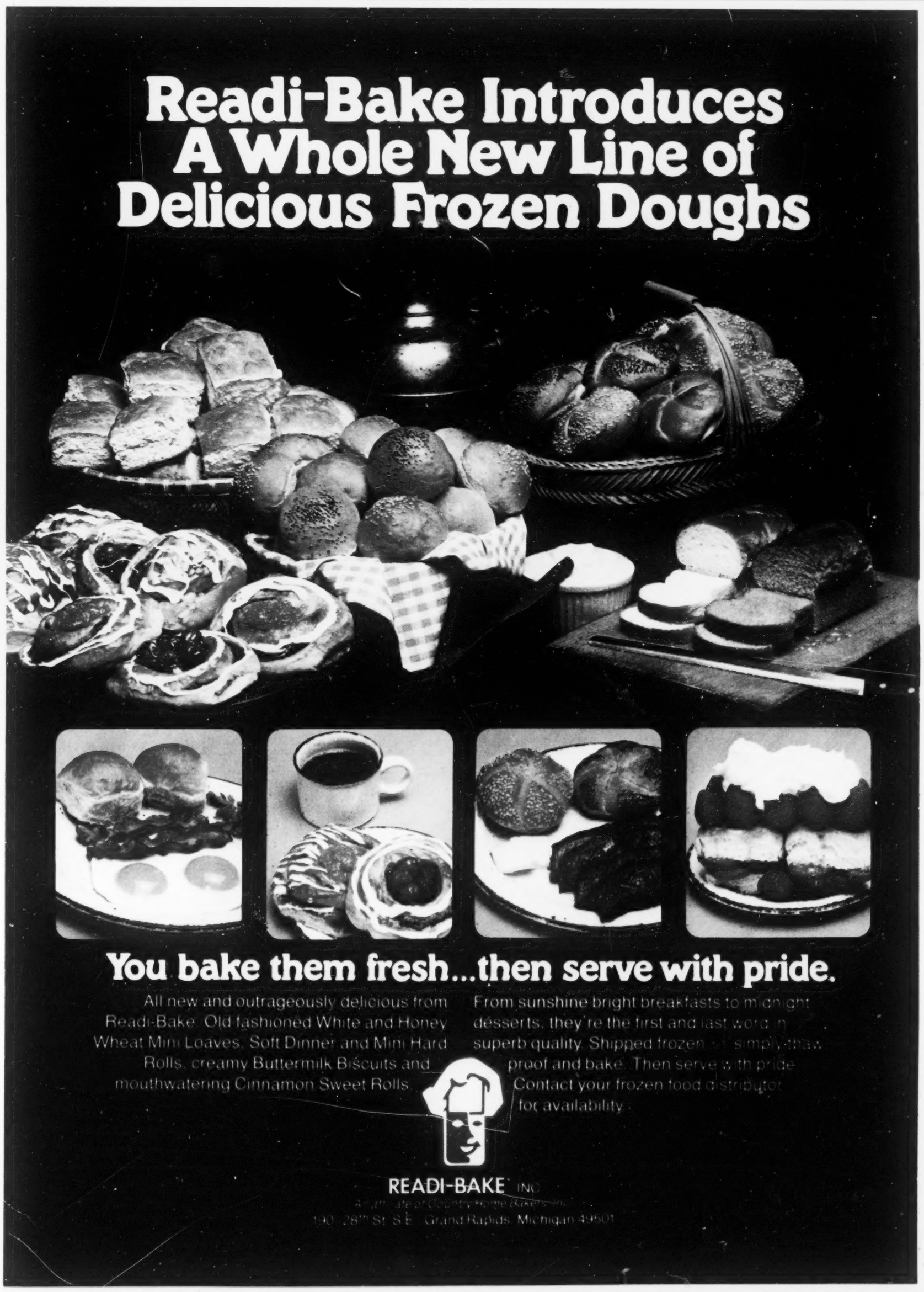
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Industry PACs intensify fund-raising efforts

By Ken Rankin

WASHINGTON—An aggressive political fund-raising drive engineered by fast-food chains and other restaurant industry segments has generated a campaign warchest of more than $1 million for the upcoming November elections.

That total could swell closer to $2 million by election day as restaurant industry trade associations and more than a score of individual food-service chains intensify their "Political Action Committee" fund-raising activities during the home stretch of the critical '82 Congressional campaign.

Most of the money collected so far by restaurant PACs is earmarked for key House and Senate candidates, and industry political fundraisers at Burger King, McDonald's, Steak and Ale, Morrisons, the National Restaurant Association, and other food-service organizations have already kicked in more than $400,000 to support "pro-free enterprise" Congressmen.

But restaurant industry PACs will still be able to pump at least another $790,000—and perhaps an additional $1 million or more—into the campaign coffers of selected candidates during the final weeks of this year's election drive.

An exclusive *Nation's Restaurant News* survey of Political Action Committee reports on file with the Federal Election Commission found there are now at least 25 food-service industry PACs actively raising campaign funds for Federal and state candidates.

As of midsummer these restaurant political groups had already contributed to the campaigns of more than 500 House and Senate candidates, and had made additional payments to dozens of state office seekers.

Altogether, the food-service and lodging industry's more than two dozen active political action committees had contributed $19,680 to state and local candidates as of F.E.C.'s most recent (mid-July) filing deadline. In addition, these PACs pumped another $21,400 into allied industry fund-raising organizations such as the political action committees operated by the National Restaurant Association and the International Franchise Association.

An earlier *NRN* restaurant industry PAC analysis based on contributions made during 1981 found that food-service political fund-raisers were channeling the majority of their contributions to Democratic Congressmen—particularly members of influential House committees.

The latest figures—which reflect PAC payments during the first half of '82 as well as last year's activity—show that the more recent food-service political contributions have been tilted much more heavily toward G.O.P. candidates.

In fact, of the 778 campaign

(Continued on page 29)

Neeb joins W. R. Grace as president of fast food

By Roman Czajkowsky

NEW YORK—Three months after resigning as chairman and chief executive officer of Burger King Corp., Louis P. Neeb has signed on with W. R. Grace & Co. to head a newly formed fast-food division.

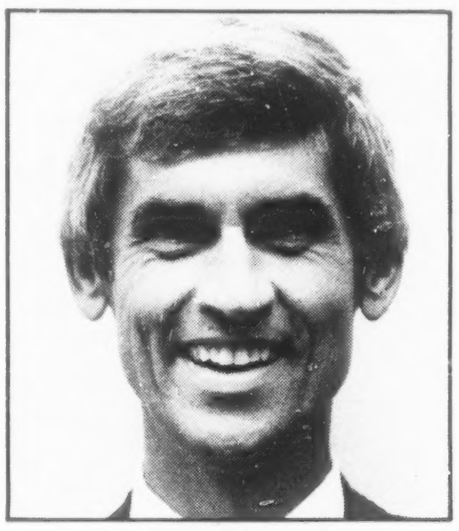
Neeb, 43, will be in charge of Grace's 147 Del Taco Mexican fast-food outlets as well as several unspecified "developmental" fast-food concepts.

The fast-food units are part of Grace's group of more than 600 restaurants, which include dinnerhouses and coffee shops. Del Tacos, for which Grace holds national expansion rights purchased from the California-based original chain, are located primarily in the Southeast and Southwest.

Neeb, who will maintain an office in Dallas where he lives with his wife and two children, will hold the title of president of the fast-food division. He had been looking for a job since resigning from Burger King in June amidst speculation that he was being eased out in a reshuffling of top management.

At Burger King, whose real sales growth has been flat over the past two years, Neeb built a reputation as a strategic planner.

Neeb headed Burger King



Louis P. Neeb

for nearly two years, moving to the fast-food chain from another Pillsbury subsidiary, Steak & Ale, where he was president.

A long distance marathon

(Continued on page 72)

ARA's new executive structure designed to boost market share

PHILADELPHIA—In a bid to increase the market share of its contract feeding and vending businesses, ARA has restructured executive responsibilities at ARAserve, its major food-service division.

Until the current move, operating responsibility for ARAserve's businesses had been primarily regional. Under the realignment, top responsibility will be by business line.

This reorganization touches a large portion of ARA's total businesses. ARAserve's 1981 revenues accounted for about half of ARA's $3 billion total.

ARAserve's umbrella covers ARA's vending and dining service management for businesses, Government, and education and health care institutions.

Under the new arrangement, ARAserve is broken into two major divisions and six sub-divisions. Each is headed by an executive with the title of president. Each of these executives will be stationed in ARA's Philadelphia headquarters and will report to ARAserve president John Farquharson.

The major divisions are Educational/Healthcare services and At-Work services; Educational/Healthcare includes school and college dining services, hospital food management and community dining services, while the At-Work division encompasses vending, business dining and the coffee system market.

This restructuring of responsibility is the continuation of an effort that was first instituted two years ago when vice presidents at the regional level were asked to concentrate on a single business. The test was so successful that specialization for presidents was only a matter of time.

Giving each president one line to develop allows the executives to gain greater depth of knowledge, thereby facilitating greater market penetration.

(Continued on page 72)

Summer slump cools World's Fair optimism

By Charles Bernstein

KNOXVILLE, Tenn.—The World's Fair, which started off so gloriously for exhibitors and food-service operators alike here in May and exceeded attendance expectations the first few months, slumped drastically in August. Now it appears the Fair may just barely make its original conservative 11 million attendance projection.

Operators of the multiplicity of restaurants, snack shops and refreshment stands, who were so optimistic at first, are concerned they may not make the profit figures they had anticipated. "We're totally dependent on attendance at the Fair for our customers," was the consensus, "and we just hope this thing comes back in its final weeks."

Still, strategically located places near the more popular Fair pavilions have been prospering. In particular, the Belgian waffle stand and the Strohaus Bavarian restaurant (which will continue after the Fair) are thriving while others temporarily falter.

The per capita is believed running slightly higher than an original conservative $4.09 projection, which means that if the World's Fair achieves an 11 million attendance in its remaining days until Oct. 31, total food-service volume would hit $45 million (of which $7 million would go to the Fair in rentals). Some 60% of the total volume would come from 44 snack shops and 27 single-item refreshment stands and 40% from 15 restaurants and cocktail lounges. Not one of these places has closed—an unusual record.

Total attendance at the Fair

(Continued on page 72)

With World's Fair attendance slipping dramatically, food-service operators fear profit projections may have been too high.

LATE NEWSBREAKS

Burger King is launching a direct ad attack at McDonald's this week with new TV commercials proclaiming that in taste tests "Whopper Beats Big Mac." BK store crews will sport caps bearing the same message. The campaign is reportedly directed at adults and singles.

McDonald's chairman Fred Turner said the company has tentative plans for restaurants in Yugoslavia. Previous plans for expansion into Poland are on hold because of political uncertainties there, Turner said.

Sisters Chicken & Biscuits, Wendy's 19-unit fast-food chicken chain, has added its own new mild chicken item to its menu in all stores, complementing its regular spicy chicken. Both versions are marinated and then deep fried.

Lums, IHOP up for grabs as Wienerwald regroups

NORTH HOLLYWOOD, Calif.—International House of Pancakes and Lums appear up for grabs by the highest bidder as their parent Wienerwald Holding attempts to reorganize under European bankruptcy laws.

California-based IHOP recently retained Bear, Stearns & Company to review its operations and evaluate its chances of finding a buyer, IHOP president Richard K. Herzer said.

But Herzer emphasized that the pancake chain was "entirely viable" and should "continue making money despite the reorganization" of Swiss-based Wienerwald.

Meanwhile, Miami-based Lums chain's financial position was reportedly being examined to determine its future. Lums is believed to be in a more precarious position than IHOP.

Together, the Lums and

(Continued on page 72)

Amfac, Bass Brothers combine to reduce debt, renovate hotels

By Joe Edwards

SAN FRANCISCO—Amfac Inc. and Bass Brothers Enterprises have formed a partnership which has borrowed $123 million to help Amfac finance renovation of its Hawaiian resorts, develop additional hotels and resorts and reduce its short-term borrowings.

Under terms of the partnership agreement, Bass Brothers has relinquished its 11% Amfac holdings and agreed not to acquire any more Amfac securities except through the partnership, know as Fort Associates Limited Partnership.

Amfac, Hawaii's second largest resort operator, and Bass Brothers, a Fort Worth, Tex.-based firm controlled by one of the nation's wealthiest families, first disclosed their plan to work together last spring, but financing for the venture was only secured recently through a consortium of lenders led by Merrill Lynch Private Capital Inc.

Fort Associates Limited Partnership will distribute about $70.5 million to Amfac and about $52.5 million to the Bass interests in return for land, hotels and Amfac stock.

Amfac is contributing to the partnership the simple interest in the land at the Royal Lahaina Hotel in Maui; a concession operating agreement for the resort facilities at the Grand Canyon in Arizona, and hotel operating agreements for the Royal Lahaina and the Coco Palms Hotel in Kauai.

It also is selling the Royal Lahaina Hotel, exclusive of the land; the simple interests in the property under the Hyatt Regency and Marriott hotels at the Kaanapali Beach Resort; the Coco Palms Hotel and other properties to the partnership for $145 million.

Amfac's profit from these sales will be deferred until the properties can be sold to third parties, an Amfac spokesman said. Amfac continues to manage all hotel resort properties contributed to or sold to the partnership.

Bass Brothers Enterprises is contributing approximately 1.6 million shares of Amfac common stock and certain land in Waikoloa.

Before the partnership was formed, it was thought Bass Brothers might unload its substantial Amfac holdings on the market, depressing Amfac's stock. This complex partnership deal has prevented that from happening.

Amfac's management late last year reportedly was concerned that Bass Brothers Enterprises was heading in the opposite direction—contemplating a takeover of Amfac. By the first of this year, Bass Brothers Enterprises had become Amfac's second largest stockholder.

(Continued on page 71)

Amfac's contribution to the partnership includes interest in its beachfront land on the Hawaiian island of Maui.

Holiday Inns casts off shipping line

MEMPHIS—Holiday Inns Inc. has agreed to sell Delta Steamship Lines Inc. to Crowley Maritime International Inc. of San Francisco for an estimated $96 million.

The sale, subject to U.S. Maritime Administration approval, is expected to be finalized Oct. 15. Delta is a United States flag carrier with 24 ships.

The lodging, food-service and gambling company first disclosed its intention to sell the New Orleans-based shipping subsidiary last spring.

By selling off Delta Lines, Holiday Inns completes its transformation to a streamlined corporation concentrating on hospitality. Until recent years, Holiday Inns had a wide range of interests including bus lines, shipping and furniture manufacturing in addition to its restaurants and hotels.

Holiday Inns now operates and franchises hotels and motels; operates casinos through its Harrah's subsidiary, and operates and franchises Perkins family restaurants.

Crowley Maritime International Inc. is a subsidiary of Crowley Maritime Corp., a tugboat and barge operator operating mostly on the West Coast. A privately owned company, Crowley had an estimated $400 million in gross revenues last year.

Holiday Inns expects a one-time aftertax loss of about $25 million on the sale. Delta's operating profits were about $46 million on revenues of $413 million in 1981. Delta carries cargo from Atlantic, Pacific and Gulf of Mexico ports in the United States to South America, Central America, the Caribbean and West Africa.

ShowBiz, Brock moving hq. from Topeka to Dallas

TOPEKA, Kan.—The Brock Hotel Corp., including ShowBiz Pizza, is moving its headquarters to Irving, Tex., a suburb of Dallas.

This new headquarters will be across the street from the Dallas-Fort Worth airport where a Holiday Inn is undergoing extensive refurbishment in order to become the flagship property. Nearby Oklahoma City sports all the Brock Hotel concepts: a Park Suite Hotel, four Holiday Inns, the long stay Residence Inn and a ShowBiz Pizza Place.

Brock has already acquired additional space for ShowBiz Pizza in the building adjacent to its new headquarters.

Gulick appointed food-service vp for McCrory

YORK, Pa.—Leo Gulick, former national food-service director at Montgomery Ward stores, has been named food-service vice president at McCrory stores here.

Don Noll, former food-service vice president, was named national food-service operations manager and continues as a vice president. He reports to Gulick.

F.D.A. concedes decline in food safety law enforcement

By Ken Rankin

ROCKVILLE, Md.—The Food and Drug Administration acknowledged that enforcement of Federal food laws has declined since President Reagan took office, but agency officials attributed the decline to a long-range trend toward voluntary industry compliance which began during the Eisenhower Administration.

In a four-page statement designed to rebut recent charges that pro-business Reagan Administration policies have triggered a dangerous decline in Federal food and drug enforcement, F.D.A. officials argued that the "crime rate" among regulated industries has fallen because of this growing "emphasis on cooperative action."

But an independent *Nation's Restaurant News* analysis of the latest enforcement statistics issued by the agency found that F.D.A.'s efforts to police the Federal food and drug laws declined even more sharply under the Reagan Administration than militant consumer groups had originally charged.

Earlier this year Ralph Nader's Health Research Group released a report based on the agency's records indicating that the total number of enforcement actions involving F.D.A.-regulated products—seizures, injunctions, prosecutions, and "regulatory letters" to manufacturers—had fallen 45% during President Reagan's first year in office.

The new F.D.A. figures—which cover the first 10½ months of the Government's current 1982 fiscal year—reveal that agency enforcment is now down more than 66% below the average rate for any comparable period under the Carter Administration.

NRN's analysis of the agency's own figures found that the F.D.A. initiated 917 enforcement actions during the average 10½-month period between FY 1977 and FY 1980. But between Oct. 1, 1981 and Aug. 15 of this year, F.D.A. undertook only one-third as many seizures, court actions and other enforcement initiatives—a total of just 308.

Specifically, the *NRN* analysis found that the number of injunctions sought by F.D.A fell 59% from a 10½-month average of 27 under the previous administration to 11 so far this year. Seizures, meanwhile, declined 62% (from 440 to 165), and F.D.A. regulatory letters are off 73% (from 429 to 114).

Although F.D.A. officials maintained that their prosecution rate is now "steady or up" from previous years, the agency's own figures indicate that the number of firms prosecuted so far this year is at least 14% below the '77 to '80 average (18 vs. 21).

These F.D.A. figures confirm H.R.G.'s most recent charge that food and drug enforcement levels have fallen more than 66% during the current year—an assertion that led the public health group to request a Congressional investigation into what Vice President George Bush has called a "partnership" between the Reagan Administration and industry.

In attempting to refute those charges, F.D.A.'s statement did not specifically mention the Nader study or the allegation by H.R.G. that "the Reagan Administration is well on its way to bringing back adulterated foods . . . as a result of its promise to get Government off the backs of industry."

Instead, agency regulators said the enforcement decline may be due in part to "an emphasis on cooperative approaches to compliance" which began in 1955. This emphasis on voluntarism caused F.D.A. to develop a number of "Good Manufacturing Practice" (G.M.P.) regulations which provide food processors with clearer guidelines for complying with agency requirements. As a result, F.D.A. said, manufucturer "violations—the 'crime rate'—may be down."

During the first half of FY '82, F.D.A's new "voluntary correction reporting system" verified over 2,400 voluntary compliance actions by manufacturers. Of these actions, 502 in-

(Continued on page 71)

HIGHLIGHTS IN THIS ISSUE

6 There's no such animal as the "perfect" kitchen, but a well thought out and executed kitchen design can mean the difference between chaos and high costs on the one hand and coordination and tidy profits on the other, says *NRN* editor Charles Bernstein in an editorial.

14 With a little reworking of proven ideas and a few new twists thrown in, Restaurant Associates pulled together the food-service operations for another 13-day U.S. Tennis Open at the National Tennis Center this month.

18 Combining fried chicken with beer and wine has virtually quadrupled the sales per chicken for a three-unit Brown's franchisee in Chicago.

21 As part of the renovations to New York's Barbizon Hotel, three new restaurants have been designed that will each reflect a different aspect of French cuisine and each appeal to a different clientele.

41 Persistence and hard work have paid off for Leslie Revsin, whose intense style of American cooking has propelled her from homebody to the Waldorf-Astoria's first female chef. And now she has a restaurant all her own.

48 It wasn't enough to watch proper Englishmen fingering pizzas, so now an American entrepreneur in London has them tackling the ultimate in finger food: barbecued ribs.

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Vol. 16, No. 20 September 27, 1982

FINANCIAL NEWS

Sales gain fuels Frisch's 35% profit rise

CINCINNATI—Frisch's Restaurants Inc. reported a 35% earnings rise to $3.8 million on a 3.8% revenues increase to $106.6 million for fiscal 1982, ended May 30. Operating profit for the year was about $7 million.

In fourth quarter, net income was $997,000, off slightly from the $1 million reported in the same period a year earlier, on revenues of $25.5 million. Operating profit for the period was $1.5 million.

Overall improved performance was due mostly to a 6.7% sales increase at the 198 company operated and franchised Big Boy coffee shops. A company spokesman said the sales rise was the result of aggressive advertising and cost control policies initiated in 1981.

In addition to the 108 company operated and 90 franchised Big Boys, Frisch's operates 25 Roy Rogers units; four Prime 'n Wine dinnerhouses, and two Quality Inn motels with restaurants.

Frisch's is ready to open one Big Boy and two Roy Rogers units, its first physical expansion in more than two years. Other new units are planned during the next eight months, though the company has not disclosed how many.

Average unit sales at company owned Big Boys rose to $756,000 from $711,000 in fiscal 1981. Unit volume at franchised Big Boy units rose to $693,000 from $636,000 in 1981. Total sales for all Big Boys in Frisch's system were $145.4 million.

At Frisch's franchised Roy Rogers restaurants, average unit sales dropped $3,000 to $412,000; total Roy Rogers sales were $11.4 million for the year. By comparison, Roy Rogers restaurants operated by parent Marriott Corp. have an average annual unit volume of $850,000 to $900,000.

Sales also were off at Frisch's Quality Inns and their restaurants in the Cincinnati area and the company's four Prime 'n Wine dinnerhouses in the Cincinnati and Dallas areas.

A room remodeling program and stepped-up marketing boosted occupancy rates at the motels in the latter part of the year, according to the company's annual report.

This year's capital spending budget includes funds for upgrading the Prime 'n Wine units in a bid to improve customer traffic. Also on tap is the remodeling and upgrading of about 30 Frisch's restaurants which will receive additional seating, soup and salad bars and drive-thru windows.

Frisch's last year tested soup and salad bars at six Big Boy units. Results warranted expansion of those tests to additional units, according to the company.

Clam chowder and a tuna melt sandwich have been added to Kip's Big Boy coffee shops and two sandwiches, a ham and swiss on rye and a chicken filet, are in test at several Roy Rogers restaurants.

Piccadilly yearly earnings advance 7%

BATON ROUGE, La.—Piccadilly Cafeterias Inc. reported a 7% increase in net profit to $8.4 million for the fiscal year ended June 30, a 7% increase over 1981.

Sales for the fiscal year were $142.6 million, a gain of 12% over 1981.

Fourth-quarter net declined 17% to $1.7 million as sales rose 11% to $37 million, compared to last year's final period.

The first of five to seven planned cafeterias in fiscal 1983 was due to open in October in Asheville, N.C. Expansion is being financed by internal funds.

Piccadilly finished fiscal 1982 with 82 cafeterias in 13 Sunbelt states.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Sept. 10							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
					Change		52-Week																				
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
		$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	6.25	5.88	5.88	.25	4.44	7.50	3.50	.00	.24	1.67	-25.36	.47	-.43	N	-95.5	-25.0	4.3	293.8	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	INN	19.50	18.00	18.88	.75	4.14	20.88	10.00	-.11	-.06	-.86	-8.42	2.17	.44	F	25.4	35.0	7.0	8.7	.22	1.2	08-10-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	33.75	31.13	33.00	1.75	5.60	33.75	23.50	.12	1.09	-1.90	12.97	4.00	-1.28	N	-27.0	-2.0	1.5	9.5	2.00	6.1	08-26-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	5.75	5.38	5.75	.38	6.98	6.50	4.88	-.49	.81	-4.45	18.75	.66	-.01	N	-1.5	-10.0	2.6	9.1	.12	2.1	09-07-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5.88	4.75	5.88	1.00	20.51	6.50	2.88	-.42	3.25	-3.44	11.25	.62	.11	S	18.9	32.0	2.4	8.5	.00	.0	00-00-00	86.2	2.1	1.2	1.5	3	1081
Bob Evans Farms	BOBE	25.00	23.50	25.00	1.00	4.17	25.75	16.13	.06	1.65	1.55	26.30	1.45	.20	Q	16.0	24.0	7.9	17.2	.36	1.4	08-16-82	173.4	13.7	1.7	.0	7	0482
Bonanza Intl Inc	BNZA	2.00	1.88	2.00	.13	6.67	2.38	1.06	-.59	1.63	-4.37	57.10	-3.33	-2.56	S	NE	-65.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.2	2	1281
Brock Hotel Cp	BHC	14.50	12.13	13.63	1.00	7.92	17.50	9.63	.11	.96	-2.71	-12.46	.59	.40	S	129.0	24.0	4.3	19.2	.10	.7	06-29-82	165.1	7.1	1.2	11.0	4	1281
Calny Food	CLNY	8.75	8.50	8.50	.00	.00	9.00	7.16	-.57	.21	1.93	44.59	1.11	.11	Q	11.8	5.0	3.2	8.2	.20	2.4	07-29-82	37.0	1.2	.6	1.5	2	0282
Carrols Develop	CRL	5.88	5.50	5.75	.13	2.22	6.38	3.97	-.34	.18	-4.50	-52.63	.66	.27	F	69.2	39.0	1.9	8.7	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	23.25	22.38	23.00	-.38	-1.60	23.38	15.25	.34	.12	4.17	16.88	2.03	.23	S	12.4	14.0	5.0	11.1	.60	2.6	06-24-82	353.9	17.7	.9	14.5	10	1281
Chi-Chis	CHIC	19.13	17.88	18.88	.63	3.42	19.13	10.09	.20	.26	-1.53	-10.98	.55	.22	F	66.6	34.0	11.1	34.3	.00	.0	06-28-82	14.9	2.1	3.1	1.1	1	0481
Ch Full O Nut	CHF	16.50	15.63	15.75	-.88	-5.26	18.00	9.25	-.47	.20	-6.51	16.10	.66	-.44	N	-51.1	20.0	2.7	37.5	.40	2.5	07-01-82	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	33.38	29.75	33.13	3.38	11.34	33.50	25.00	.31	.86	-2.42	16.80	3.52	.15	S	4.6	17.0	10.8	9.7	1.00	3.0	07-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3.13	3.00	3.13	.13	4.17	3.63	2.50	-.42	.11	-1.49	31.59	-.06	1.37	F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.2	0	1281
Collins Foods	CF	17.38	15.75	16.00	.00	.00	17.38	7.75	.59	-.64	2.28	7.21	1.69	.57	Q	43.8	15.0	3.2	8.6	.24	1.5	09-24-82	298.0	9.6	1.3	7.4	11	0482
Consul Corp	CNSL	7.25	6.88	7.25	.13	1.75	7.88	5.25	-.19	1.45	-.02	36.72	.00	.08	F	NE	NE	.0	NE	.00	.0	00-00-00	17.6	.0	.7	2.2	3	0582
Cracker Barrel	CBRL	10.75	9.50	10.75	1.25	13.16	11.00	7.25	-.30	1.18	7.73	9.44	1.00	1.01	S	NC	21.0	3.2	10.6	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	30.25	27.63	29.38	1.38	4.91	30.25	14.75	.13	.72	-1.28	-29.25	2.47	.45	F	22.2	7.0	3.9	11.9	.64	2.2	09-03-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	20.38	18.50	19.25	.75	4.05	20.38	11.13	-.02	-1.13	-.01	7.79	1.82	.25	N	14.0	19.0	8.3	9.5	.36	1.9	08-09-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	10.75	9.00	10.38	1.50	16.90	11.63	5.78	-.23	1.55	.97	-3.91	1.87	.50	F	36.4	14.0	3.8	5.5	.40	3.9	09-29-82	101.0	3.8	1.5	6.5	14	0582
Hambrg Hamlet	HAMB	5.75	5.50	5.75	.25	4.55	8.25	5.00	-.97	.18	-7.52	75.00	1.35	1.08	F	400.0	-13.0	3.2	4.3	.00	.0	00-00-00	31.6	1.0	.7	20.4	13	0382
Hardwicke	HAWK	1.75	1.75	1.75	.13	7.69	4.38	1.38	.08	.20	-11.29	.00	-2.22	-3.88	S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	39.25	35.13	37.63	1.63	4.51	41.63	27.63	.32	.22	-.95	31.12	4.22	-.37	S	-9.0	22.0	20.9	10.1	1.80	4.8	08-30-82	539.3	112.6	2.0	4.5	20	1281
Holiday Inns	HIA	36.00	29.88	33.50	2.88	9.39	36.00	21.88	.32	.76	4.45	6.06	3.66	1.20	S	47.8	25.0	7.8	9.0	.80	2.4	06-10-82	1765.1	137.4	.8	21.0	25	1281
Holiday Inns A	HIA A	51.75	45.50	51.00	5.75	12.71	51.75	33.00	-.05	1.23	5.98	-62.50	NA	NA		NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	19.88	17.00	19.00	1.75	10.14	19.88	7.28	-.19	.80	2.19	-1.28	1.05	.09	S	10.0	31.0	2.7	19.2	.00	.0	01-11-82	166.1	4.5	1.7	12.6	7	1281
Hungry Tiger	HTIG	9.75	8.75	9.25	-.25	-2.63	10.25	6.00	-.88	.74	-1.32	-18.42	.92	.18	N	20.4	41.0	3.2	8.7	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.75	1.63	1.75	.06	3.70	1.88	1.06	-.61	.20	3.12	36.49	.24	.00	F	.0	2.0	2.0	7.3	.14	8.0	09-28-82	8462.9	171.0	1.1	.7	2	1081
Intl Dairy Queen	INDQ	16.75	14.50	16.75	2.25	15.52	16.75	9.25	-.02	2.52	-3.21	9.38	1.72	.34	S	22.5	38.0	6.1	9.1	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	5.00	4.50	5.00	.38	8.11	5.00	1.75	.57	1.73	1.85	46.43	.34	1.09	F	NE	-34.0	1.4	14.7	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	6.63	6.00	6.50	.38	6.12	7.63	2.88	-.81	2.41	-4.12	20.27	.63	.29	N	53.7	1.0	3.0	7.8	.16	2.5	08-09-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	23.75	21.13	23.75	2.25	10.47	23.75	15.63	.59	.86	2.19	.20	1.75	.07	F	4.1	20.0	5.1	13.6	.12	.5	05-10-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3.38	3.13	3.25	-.13	-3.70	4.50	3.13	-1.14	.11	-4.51	.00	-.24	-.17	N	NE	-31.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	19.00	18.50	18.88	.13	.67	19.25	10.75	-.29	.26	-2.42	14.95	.89	.27	Q	42.8	111.0	8.1	21.0	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Karcher Carl	CARL	16.13	14.88	15.38	.50	3.36	16.13	8.88	.11	-.98	1.92	-9.98	1.51	1.69	S	NC	16.0	3.4	9.1	.00	.0	00-00-00	200.6	6.9	1.9	6.4	8	0182
Lubys Cafe	LUB	28.00	26.88	27.75	.25	.91	32.00	23.50	-.46	.35	-.93	-38.64	1.45	.25	N	18.1	23.0	9.1	17.0	.60	2.2	09-03-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	7.13	7.13	7.13	.00	.00	7.25	5.00	-.69	.25	-2.63	-3.57	1.13	-.02	F	-1.7	6.0	5.7	6.3	.00	.0	06-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	47.25	41.00	44.50	2.88	6.91	47.25	31.63	.42	-.60	2.85	24.06	3.20	.37	S	12.6	30.0	4.3	13.5	.30	.7	09-20-82	2000.3	86.1	.9	23.2	16	1281
McDonalds Cp	MCD	85.38	77.75	80.63	2.13	2.71	85.38	57.38	.03	-.97	-.92	19.37	6.54	.95	S	15.7	18.0	10.7	11.5	1.20	1.5	07-20-82	2477.2	264.8	.5	23.0	34	1281
Morrison Inc	MORR	12.13	11.88	12.00	-.13	-1.03	12.38	8.13	-.52	.00	.20	14.86	1.16	.21	F	22.1	8.0	4.1	10.3	.36	3.0	07-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	1.88	1.75	1.75	.00	.00	3.38	1.75	-.75	-1.39	-3.51	-44.17	.22	-.47	N	-293.7	-23.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1.06	1.00	1.06	.13	13.33	1.78	.59	.54	2.08	-5.95	18.75	.03	.86	F	NE	NE	.6	35.4	.00	.0	09-09-82	16.7	.1	.5	.1	2	0382
Oakbrook Cons	OKCO	10.00	10.00	10.00	.00	.00	10.25	9.00	-.21	.18	.67	.00	1.74	-.83	N	-47.9	3.0	1.3	11.1	.32	3.2	06-08-82	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	5.25	5.00	5.25	.13	2.44	11.38	4.63	-.34	1.16	3.67	31.15	1.01	-.81	N	-84.3	24.0	5.4	35.0	.20	3.8	02-22-82	76.2	4.1	1.9	10.2	7	0681
Piccadilly Caf	PICC	14.50	14.25	14.50	.00	.00	18.13	13.50	-.37	.39	1.38	10.16	1.39	.09	F	6.9	14.0	5.9	10.4	.56	3.9	09-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	5.63	5.13	5.25	.13	2.44	8.00	4.50	-.07	-.73	2.12	-5.83	.50	-.09	S	-15.2	-7.0	1.0	10.5	.00	.0	00-00-00	133.5	1.4	.9	12.9	7	1281
Pizza Time Thea	CHKY	28.00	26.25	27.25	.75	2.83	32.50	18.00	.24	.13	-2.51	-7.57	.58	.90	S	529.4	41.0	7.2	25.5	.00	.0	00-00-00	36.2	2.6	3.2	.8	8	1281
Ponderosa Sys	PON	22.38	18.50	21.13	1.50	7.64	22.38	11.75	.41	.64	3.32	-19.67	2.01	1.13	Q	137.8	-10.0	2.4	10.8	.40	1.9	06-11-82	353.9	8.5	1.0	20.0	17	0282
Ramada Inns	RAM	5.63	4.88	5.13	.13	2.50	7.38	4.25	-.14	-.73	1.72	-29.86	.05	-1.45	S	-198.6	-29.0	.4	NE	.12	2.3	10-19-81	395.5	1.4	.6	19.0	6	1281
Restaur Assc	RA	4.38	3.75	3.75	-.13	-3.23	5.50	3.25	-.26	-2.45	-1.72	10.14	.97	-.33	S	-32.3	46.0	2.4	5.4	.00	.0	00-00-00	99.2	2.4	1.3	3.2	6	1281
Saga Corp	SGA	30.88	28.50	29.50	-.25	-.84	30.88	16.00	-.07	.32	-.53	35.80	3.35	.99	F	41.9	19.0	1.9	8.8	.56	1.9	08-16-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	9.13	8.50	8.63	.00	.00	12.13	6.75	.56	-.80	-.77	-.69	.68	-.08	S	-11.5	51.0	4.5	14.1	.00	.0	06-02-81	49.0	2.2	1.8	2.4	5	1281
Servico Inc	SRVI	8.50	8.25	8.25	.00	.00	9.09	6.38	-.58	-.08	-3.98	66.67	1.54	-.82	S	-41.8	74.0	3.5	7.2	.00	.0	07-09-82	126.4	4.4	1.1	51.0	5	1281
Shoneys Inc	SHON	19.75	18.50	19.50	1.13	6.12	19.75	11.91	-.44	1.12	-.99	9.62	1.03	.25	N	25.7	21.0	5.5	16.0	.16	.8	06-28-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	14.00	12.50	14.00	1.50	12.00	14.00	8.50	.29	3.27	-4.02	53.49	.94	-.66	S	-37.0	43.0	1.4	12.5	.20	1.4	06-25-82	145.0	2.1	.9	27.7	10	1281
Steak n Shake	STAK	2.88	2.75	2.88	.13	4.55	3.13	2.38	-.56	1.63	-3.01	42.45	.06	-.15	N	-62.5	-32.0	.5	31.9	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Vailes Steak	VLE	6.88	6.63	6.88	.13	1.85	6.88	4.25	-.28	.58	-4.95	7.14	-.38	-.43	Q	NE	-36.0	-1.5	NE	.00	.0	11-01-78	66.1	-1.0	1.5	6.3	9	0382
Victoria Stations	VSTA	7.38	6.50	6.75	.25	3.85	11.00	5.75	-.23	-1.56	-.27	-41.18	.35	2.20	F	NE	-30.0	1.0	19.3	.00	.0	09-19-79	123.4	1.2	1.0	7.7	10	0382
Wendys Intl	WEN	20.00	17.50	19.13	.88	4.79	20.00	12.25	.20	-.19	1.54	-19.83	1.52	.14	S	9.7	18.0	7.6	12.1	.28	1.5	05-11-82	486.6	36.9	.6	3.8	8	1281
Webb Del E	WBB	7.50	6.75	7.13	.13	1.79	9.13	4.88	-.22	.25	.48	-23.03	.56	.64	S	NE	-28.0	1.3	18.3	.00	.0	11-07-80	414.8	5.3	1.1	16.1	13	1281
Winners Cp	WNER	11.38	10.25	11.00	.75	7.32	11.50	6.38	-.04	-.10	3.82	3.40	.67	.61	S	321.0	5.0	2.1	13.8	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

McD's offers notes to cut long-term debt

OAK BROOK, Ill.—McDonald's Corp. has filed a registration with the Securities and Exchange Commission covering $200 million of debt and offered $150 million of this in zero-coupon notes resulting in proceeds of $50 million.

Zero-coupon notes are issued at a price far below face value and offer returns to investors through price appreciation after an extended period of time rather than through interest payments. A shelf registration allows a company to offer such coupons periodically without filing additional documentation.

McDonald's filed a separate shelf registration earlier this month covering $175 million of debt.

Underwriters for the second offering include Salomon Brothers and Blyth Eastman Paine Webber Inc.

In a statement issued at McDonald's headquarters here, a spokesman said the company plans to use proceeds from the offering of zero-coupon notes to reduce other debt.

McDonald's promoted the offering of the zero-coupons in full-page ads in the *Wall Street Journal* and other newspapers.

The company's long-term debt at the end of the first half of 1982 (June 30) was a little more than $1 billion, compared to $883 million on June 30, 1981. McDonald's debt rose steadily to $970 million at the end of 1980 from $688 million in 1977. In 1981, long-term debt dropped to $926 million but rose sharply again this year.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Taco Viva Inc.	3 mos.	5/31	$ 3.256	19			$109,000	(4)
Collins Foods	13 wks.	7/31			$ 88.014	19	3.192	34
Shoney's Inc.	40 wks.	8/31			240.319	19	13.953	25
	12 wks.				79.571	20	4.663	20
Dunkin' Donuts Inc.	39 wks.	7/31			55.536	11	5.072	14
	13 wks.				19.175	15	1.721	14
Ponderosa Inc.	24 wks.	8/12			182.041	4	5.701	13
	12 wks.				93.764	2	3.601	39
Danners Inc.	26 wks.	7/31			76.192		(871,125)	
	13 wks.				40.908		(441,382)	
Acapulco Y Los Arcos	39 wks.		27.362	43			(357,294)	
	13 wks.		9.640	27			411,345	
Carl Karcher Entprs.	28 wks.		119.527	13			5.151	66
	12 wks.		55.290	13			2.725	34
Sambo's Rests. Inc.	6 mos.		140.377				(54.012)	
	13 wks.		74.222				(43.194)	
American Motor Inns	12 mos.		161.388	13			11.331	27
	13 wks.		43.849	12			3.678	23

Source: *Company earnings reports*

—Loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Taco Viva net leaps 47% on 25% sales increase

POMPANO BEACH, Fla.—Taco Viva reported net profits rose 47% to $494,000 for the fiscal year ended May 31, compared to the previous year.

Sales for the 36-unit Mexican restaurant chain and its subsidiary, Boynton Restaurant Supply Inc., increased 25% during the fiscal year to $12.2 million.

Nelson Futch, director of marketing, said the restaurants provided the bulk of the sales and profits.

In the fourth quarter sales increased 19% to $3.25 million while profits dropped 4% to $109,000. The company said the loss was due to "an additional appropriation to the company's profit-sharing fund and the write-off of a demolished leasehold improvement."

The increases in sales and profits for the entire fiscal year were attributed to "a program of tightened operational controls put in place early in the year in anticipation of a lackluster economic outlook," the company said.

Six units were added to the chain during the last fiscal year, financed through internal cash flow, according to a company statement.

Futch said that six more units were expected to open by the end of this calendar year.

Most Taco Viva units are in southeast Florida; two are in Georgia. Futch said the company planned to expand throughout Florida.

Brion Foulke is the president of the privately held company.

Marcus yearly earnings dip 3%

MILWAUKEE—Marcus Corp., a restaurant, lodging and movie theater concern, reported a 3% net profit decline to $5.9 million for the year ended May 27, compared to fiscal 1981.

Revenues fell 2% to $103.8 million, the company said.

Ben Marcus, chairman and chief executive, blamed the declines largely on a "sour economy" and a harsh winter.

Fourth-quarter net profits dropped 11% to $1.5 million, and fourth-quarter revenues dipped 7% to $31.3 million, compared to the 1981 fourth quarter, the company said.

Marcus' restaurant operations generally account for about two-thirds of the company's business. The company's 111 restaurant operations at year-end consisted of 64 Marc's Big Boy coffee shops, several of which were remodeled and given salad bars during the year; 34 Kentucky Fried Chicken outlets, one of which was added during the year; 11 Captain's Steak Joynts dinnerhouses, and two Roy Rogers.

In addition, the company operates 13 Marc's Budgetel Inns, the Pfister, Marc Plaza and Sheraton Mayfair hotels, a Guest House Inn, 84 movie theaters, and two bowling centers.

Collins' first quarter net climbs 34% to $3.2M

LOS ANGELES—Collins Foods International Inc. has reported net income of $3.2 million for the first quarter ended July 31, up 34% over the same period last year. Revenues increased 19% to $88 million from $73.8 million.

Company chairman James A. Collins indicated the earnings improvement reflected strong traffic in company-owned Sizzler restaurants, where first-quarter average sales per unit were up 28%. About half that gain was due to increased customer counts, Collins reported. He also credited the company's improved cash position which produced a net increase in interest income as a contributing factor.

At the end of the first quarter, Collins Foods operated or licensed 443 Sizzler Family Steak Houses and operated or licensed 238 KFC franchises. The company recently announced plans to sell 48 of its fried chicken outlets back to KFC Corp. An announcement of the company's first public offering of stock in its Sizzler subsidiary is expected shortly.

Sysco reporting 28% jump in yearly net

HOUSTON—Sysco Corp. expects to report a 28% rise in net income to $34 million on a 21% revenue increase to $1.7 billion for the fiscal year ended July 3.

For the fourth quarter, the food distribution company expects to report a 32% rise in net income to $9.8 million on a 29% increase in revenue to $475 million.

The increases for the year and fourth quarter were attributed by the company to Sysco's growing share of the food-away-from-home industry. About half of Sysco's business comes from restaurants, an area targeted for growth. Sysco also distributes food to schools, hospitals and other institutions.

Though it is the nation's biggest food distribution company, Sysco has only a 5% market share. It has targeted the fast-food industry as an area for growth. Sysco has shunned fast feeders in the past, mostly because of their limited menus, according to comments by chairman John Baugh.

Sysco Corp. was formed about 13 years ago. Since that time, it has acquired nearly 30 smaller food distributors, including Noble Inc., the nation's seventh largest food distribution company. Other acquisitions are planned, according to Baugh.

Int'l King's Table rebounds from loss

EUGENE, Ore.—International King's Table Inc., operator of 52 buffet-style cafeterias, converted a $1 million fiscal 1981 net loss into $508,000 in net profits for the year ended July 3.

Sales increased 14% to $36.6 million for the 53-week period compared to 1981.

For the fourth quarter, King's Table reported net profits of $266,000, up from $34,000 in 1981, and revenues of $9.7 million, a 23% increase over the 1981 fourth quarter.

The company reopened two units in June, ending the year with 52 cafeterias and one dinnerhouse, Oh Susannah's.

Customer counts increased 10% from 1980 as the company trimmed bank debt by $2 million.

During the year, the company converted all its units to accommodate self-service beverage centers and tightened portion controls by hand-carving meats on the serving line. In addition, the company discounted heavily to attract its base of elderly, retired patrons.

Southern Hosp. to buy 12 Mr. Gatti's pizza stores

NASHVILLE—Southern Hospitality Corp., a 21-unit Wendy's franchisee, agreed last month to buy 12 Nashville Mr. Gatti's pizza outlets from current franchisee Big O Ovens Inc.

The deal was valued at $1.62 million, including a $720,000 cash down payment and the rest paid out over two years from the earnings of the pizza restaurants.

Big O Ovens Inc. is owned by Wayne Oldham, chairman and chief executive of Southern Hospitality, Henry Hillenmeyer, Southern Hospitality executive vice president and John R. Biddinger, a Southern Hospitality director.

The transaction gives Southern Hospitality rights to develop more pizza outlets in parts of Tennessee, Missouri and North Carolina.

Mr Gatti's, a chain of 260 units, is a wholly owned subsidiary of Austin, Tex.,-based LDB Corp., a construction materials firm.

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RESTAURANT NEWS

Nathan's net up 14% in 13-week period

NEW YORK—Nathan's Famous has posted a net income of $358,452 for the 13 weeks ended June 27, a 14% increase over last year's figures for the same period.

Revenues rose $26,000 to $4.8 million for the period. The company had an extraordinary credit of $151,000 which was a tax benefit of net operating loss carryforward. Last year a similar credit in the amount of $141,000 was posted for the second quarter.

Winners raises $5 million in common stock offering

NASHVILLE—Winners Corp. raised about $5.4 million early this month issuing 550,000 shares of common stock at $10.75 per.

Lonnie Stout, chief financial officer, said the proceeds would be used to pay down about $3.6 million in short-term bank debt incurred to develop the 53-unit Mrs. Winner's Chicken & Biscuits fast-food chain. The rest, he said, would be used to develop the chain further.

Winners Corp., formerly Volunteer Capital, was Wendy's largest franchisee until the company sold off most of its 46 California Wendy's outlets. The proceeds of that sale, too, will go to expand Mrs. Winner's.

Stout said the stock sale, underwritten by Bache Halsey Stuart Shields and J. C. Bradford, sold out "in a matter of minutes," the price exceeded by about 25¢, Winner's average trading price in August.

READ CLASSIFIEDS

PAC activity generates $1M + for elections

(Continued from page 1)
contributions made to Federal candidates since the 1980 Reagan landslide, a solid 63% were earmarked for Republicans.

G.O.P. Congressmen and Congressional challengers held an even bigger edge in terms of total dollar contributions from the restaurant industry, capturing almost two-thirds (65%) of the $412,762 contributed by food-service PACs to Federal candidates since the last elections.

The amount of these contributions varied greatly, ranging from as little as $10 to $20 "token" payments, to several thousand dollars in the case of some influential Senate leaders. Most of the contributions weighed in between $200 and $750, however, with Democrats receiving an average of $503 vs. $546, for the average Republican supported by restaurant industry PACs.

Although food-service political fund-raisers often pitch their solicitation attempts at the need to elect new, pro-business faces to Congress, a whopping 95% of all restaurant PAC contributions made to Federal candidates since the 1980 elections went to incumbents.

PAC contributions varied from as little as $10 to $20 in 'token' payments to several thousand dollars for certain influential Senators.

Moreover, the average amount of the industry's contributions to Congressional challengers was far less than the average donation to incumbent Congressmen.

Cynthia Baker—daughter of Senate Republican Leader Howard Baker—collected more restaurant industry PAC contributions than any other challenger. She received an average of $500 each from McDonald's, Burger King and International Holiday Inns for her campaign to unseat House Investigation and Oversight Subcommittee Chairman Albert Gore (D-Tenn.).

Despite the restaurant industry's apparent inclination to "play it safe" by channeling the bulk of its PAC contributions to incumbent Republican Congressmen and Senators, *NRN*'s analysis of food-service political spending patterns uncovered sharp variations from chain to chain.

Greyhound's PAC—the industry's largest—raised more than $145,000 since the 1980 elections, and has already spent close to $100,000 of that warchest, the majority of it on Democratic candidates.

In contrast, a number of other large food-service political action committees still have the bulk of their collections on hand for the final weeks of the campaign.

As of the last F.E.C. quarterly reporting deadline, McD, PepsiCo, Steak & Ale, Morrison's, Shoney's, the International Association of Holiday Inns and NRA each had more than $50,000 available for the current Congressional campaign home stretch.

Although many PACs spread their contributions around to a broad cross-section of candidates, several, including Steak & Ale, bucked this trend. Although the chain plowed more than $30,000 into political campaigns since the last elections, these contributions were limited to a total of only 27 candidates.

Like a number of other restaurant PACs, S&A spent heavily on the campaigns of such

(Continued on page 32)

Calif. employers get exemption

WASHINGTON—Food-service industry operators in California with 50 or fewer employees will get a one-year exemption from general schedule safety and health inspections if a small employer voluntary safety compliance program is approved by the Labor Department.

To qualify for the exemption employers would have to correct any safety and health hazards identified by a state O.S.H.A. consultant following a "wall-to-wall" survey of their establishment. Employees must be invited to participate in the walkthrough during which time the consultant would explain the procedures to follow if any safety complaints arise.

In addition, an accident and illness prevention program including employee training in safe work practices would be the employer's responsibility. Food-service operators also would be required to periodically conduct their own safety inspections and remedy any unsafe conditions.

Adoption of the proposed addition to California's job safety and health plan hinges on Federal acceptance. California is one of 24 states allowed by O.S.H.A. to set and enforce workplace safety and health regulations provided that Federal Labor Department officials approve and monitor the program.

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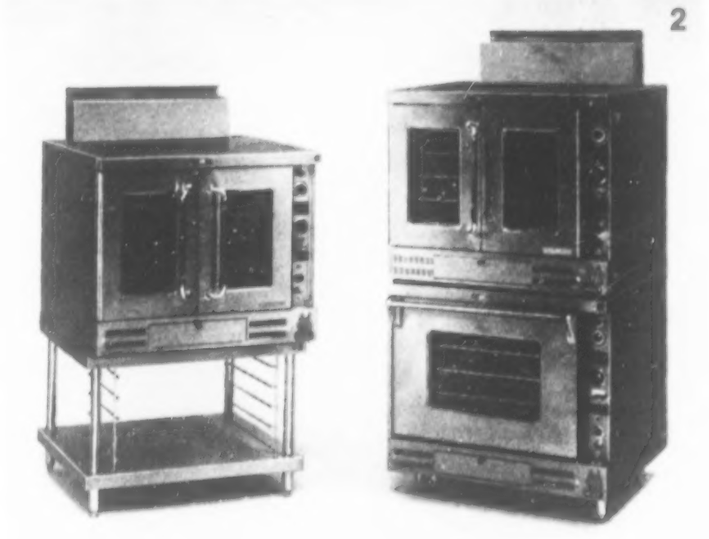
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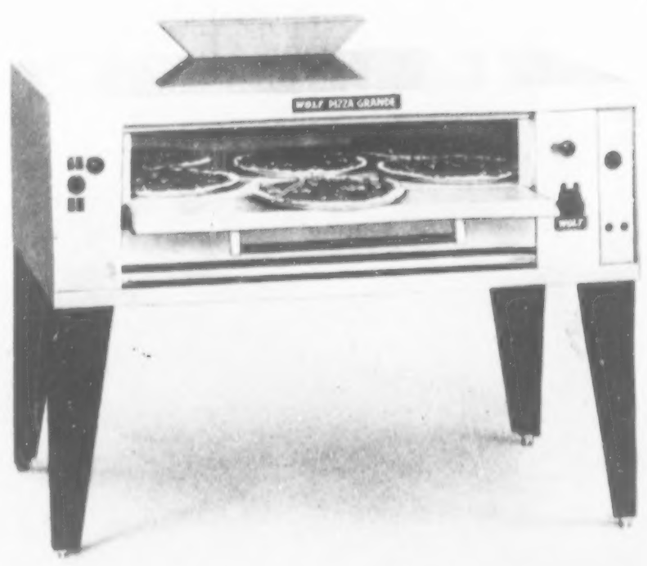

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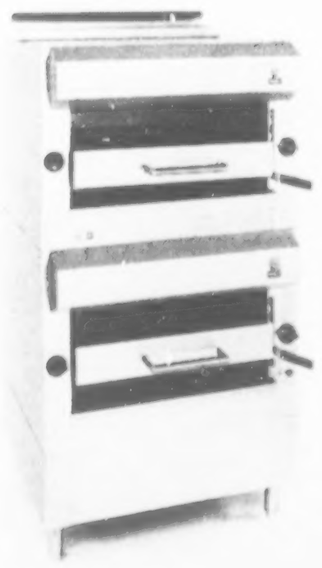
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G.O.P. candidates get majority of PAC funds

(Continued from page 29)

Congressmen as U.S. Travel & Tourism Caucus Chairman James Santini (D-Nev.) and Senate Labor Committee Chairman Orin Hatch (R-Utah).

While most of the industry's fund-raising groups channeled the bulk of the contributions to key committee chairman, some food-service PACs earmarked substantial amounts for Congressmen representing their own home districts.

Five of the six contributions made by Shoney's "Sho-PAC," for example, went to candidates running in Tennessee, while J. B.'s Big Boy restaurants supported only two candidates—both from Utah. International Multifood's PAC gave its single contribution to a candidate from Minnesota, while Ponderosa's PAC exclusively supported three candidates from Ohio.

On the other hand, United's fund-raising group spread its money out among candidates from 35 states, with proportionately more contributions earmarked for Senate candidates. Senate candidates received at least $1,000 while the average contribution for House candidates was $650, with some getting as little as $100.

Marriott's PAC also favored Senate candidates, with five of its six contributions going to Senate members. Spending very little of its $49,000, Marriott's fund-raising group still has well over $40,000 left.

One of the 10 most active restaurant industry PACs was Burger King, spending nearly $58,000 over the last 20 months. Playing both sides of the fence, Burger King's PAC spread its money almost evenly between the two parties, with Republicans receiving half of the contributions and slightly more than half of the total dollar contributions.

The NRA has collected nearly $80,000 in PAC contributions and appears poised to achieve its fund-raising goal of $100,000.

Other restaurant chains, however, tilted their campaign spending overwhelmingly toward G.O.P. candidates. McDonald's and Jerrico, for example, earmarked over 70% of their spending for Republicans; Morrison's channeled better than 80% of its PAC funds to G.O.P. candidates, and of the 32 PAC contributions made by White Castle since the 1980 elections, not one went to a Democrat.

Several key food-service trade associations have also been actively raising funds for the '82 elections. The National Restaurant Association, for example, has already collected nearly $80,000 in PAC contributions and appears poised to achieve its fund-raising goal of $100,000 for this year's House and Senate races.

Significantly, NRA's contributions so far have been heavily tilted toward Republicans. But the bulk of the association's '82 political warchest is still in the bank and indications are NRA will be able to make a big splash during the final weeks of the campaign.

In contrast, the International Franchise Association has divided its far more modest PAC funds more evenly between the two parties, with Democratic candidates enjoying a slight edge.

WHO'S WHO IN FOOD-SERVICE POLITICAL FUNDRAISING

PAC SPONSOR	PAC Collections For '82 Campaign	Dollars on Hand From '80 Elections	PAC Contributions To: Federal Candidates	State Candidates	Other Industry PACs	Admin. Costs	Funds Available For '82 Campaign Stretch
Burger King	$ 62,609	$ 1,616	$ 56,375	$ 1,000	$ 0	$ 607	$ 6,243
Carl Karcher	5,800	60	0	0	0	0	5,860
Greyhound	145,113	13,055	75,400	18,180	0	662	63,926
Hardee's	8,348	2,953	400	0	0	201	10,700
Heublein	10,092	1,753	2,300	0	0	0	9,545
Holiday Inns	25,554	1,883	15,950	200	2,500	215	8,572
International Association of Holiday Inns	78,012	3,969	25,650	0	500	452	55,379
International Multifoods	4,068	1,541	250	0	0	0	5,359
JB's Big Boy	4,768	755	1,150	0	0	400	3,973
Jerrico	30,636	4,175	7,000	0	6,900	686	20,225
Marriott	49,164	3,940	4,500	0	7,000	767	40,837
McDonald's	85,825	28,294	36,335	0	0	418	77,366
Morrison	55,083	13,713	10,150	0	1,500	3,297	53,849
Pepsico	93,016	11,797	38,275	100	0	4,336	62,102
Ponderosa	6,650	609	1,125	200	0	125	5,809
Ralston-Purina	9,690	802	4,580	0	500	2,020	3,392
Shoneys	68,957	0	5,000	0	0	9,242	54,715
Steak & Ale	86,634	0	30,422	0	2,000	1,350	52,862
Stouffer	14,290	2,508	100	0	0	500	16,198
United Air Lines	64,039	12,831	34,600	0	0	2,064	40,206
Whataburger	0	0	0	0	0	0	0
White Castle	25,029	7,528	7,600	0	0	985	23,972
TRADE ASSOCIATIONS							
American Hotel Motel Association	92,639	30,540	33,100	0	500	1,358	88,221
International Franchise Association	14,617	720	8,100	0	0	0	7,237
National Restaurant Association	79,668	6,759	13,400	0	0	505	72,522
Texas Restaurant Association	1,575	153	1,000	0	0	0	728
TOTALS	1,121,876	151,954	412,762	19,680	21,400	30,190	789,798

Source: *NRN* Analysis of Federal Election Commission Reports

*As of 7/15/82

WHERE RESTAURANT CAMPAIGN MONEY IS GOING*

PAC SPONSOR	Dollars Contributed Democrats	Dollars Contributed Republicans	Number of Contributions Democrats	Number of Contributions Republicans
Burger King	$ 24,825	$ 31,550	58	57
Greyhound	39,750	35,650	77	82
Hardee's	0	400	0	1
Heublein	1,300	1,000	3	1
Holiday Inns	4,450	11,500	5	11
International Assn. of Holiday Inns	4,150	21,500	9	39
International Multifoods	0	250	0	1
JB's Big Boy	150	1,000	1	1
Jerrico	1,950	5,050	6	10
Carl Karcher	0	0	0	0
Marriott	500	4,000	1	5
McDonald's	8,400	27,935	13	55
Morrison	1,400	8,750	5	18
Pepsico	9,350	28,925	22	52
Ponderosa	625	500	1	1
Ralston-Purina	1,660	2,920	6	14
Shoneys	3,000	2,000	5	1
Steak & Ale	8,000	22,422	8	19
Stouffer	100	0	1	0
United Air Lines	18,500	16,100	40	24
Whataburger	0	0	0	0
White Castle	0	7,600	0	32
TRADE ASSOCIATIONS				
American Hotel Motel Assn.	10,550	22,550	11	32
International Franchise Assn.	4,200	3,900	12	11
National Restaurant Assn.	1,700	11,700	4	21
Texas Restaurant Assn.	1,000	0	1	0
TOTALS:	145,560	267,202	289	489

Source: *NRN* Analysis of Federal Election Commission Reports

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Bill Miller
(attended Culinary Institute of America; now at Florida International Univ.; will probably join business)

Susan Miller
(summers)

Sandy Miller
(summers)

Richard Tannen
(Sheldon's son; Irongate)

Cecily Miller
(Jerry Bern's daughter; ex-banquet worker)

Chris Kriendler
(Mac's son; Irongate)

Rachel Berns
(Tony's daughter; pastry chef)

Sheldon Tannen
(son of Kriendler brother's sister Anna)

Monte Sideman
(Kriendler brother-in-law)

Elizabeth Stein
(working in kitchen)

Tony Berns
(Charlie's son)

Florence Kriendler
(Bob's wife; active in business after his death)

Jerry Berns
(Charlie's brother)

Diane Stein
(Jerry Bern's daughter)

Jerry Stein
(ex-Irongate)

Pete Kriendler
(Jack's brother)

Maxwell A. (Mac) Kriendler
(Jack's brother; deceased)

Bob Kriendler
(Jack's brother; deceased)

Jack Kriendler & Charlie Berns
(founding partners; both deceased)

21

Food Service Families
The New Generation

SEE FOCUS SECTION

McD wins lawsuit against Paris franchisee

But loses its share in growing French market

Although the sign reads "open," this and 11 other Paris McDonald's units may soon be shut down under court order.

By Joe Edwards

CHICAGO—McDonald's has won a lengthy court battle against its Paris-area franchisee but by virtue of the victory is left without any meaningful presence in the growing French fast-food market.

Claiming gross violations of sanitary standards at the McDonald's restaurants operated in Paris by franchisee Raymond Dayan, McDonald's attorneys went to court to strip Dayan of his operating license and his exclusive rights to develop 152 other McDonald's units in France.

In a decision handed down last month, Cook County Court Judge Richard L. Curry revoked Dayan's development license and ordered the franchisee to remove all McDonald's signs, equipment and other trademark material from 12 of his 14 units within 30 days.

Dayan is permitted to continue operating two McDonald's units not cited specifically in the suit. The company has notified Dayan it will conduct regular inspections at those units to make sure they meet McDonald's standards for quality, service and cleanliness.

Gerald Mullin, Dayan's Chicago attorney, told *Nation's Restaurant News* at presstime he would file an appeal in Appellate Court of Illinois on or before Oct. 9. Mullin has received an amendment to Judge Curry's original order extending to 90 days the time Dayan has to stop operating his 12 McDonald's units.

McDonald's, meanwhile, plans to re-establish itself in France although it has not disclosed any timetable for such a move. There has been an unconfirmed report McDonald's would turn over its Paris-area development rights to its Canadian subsidiary.

The Paris sites ordered closed by Judge Curry are Dayan's and he can use them for another restaurant concept or lease them to others. McDonald's therefore must start from scratch in its development of the Paris market.

Dayan told the court his franchise operations gross $30 million annually. His average unit sales of $2 million or so are about double the volume of McDonald's restaurants in other European countries.

Dayan has been a McDonald's franchisee since 1972 but his relationship with the Oak Brook, Ill.-based fast feeder has been shaky at best from the start, according to attorney Mullin.

Troubles between Dayan and McDonald's began even before Dayan opened his first unit. In 1970 he filed a lawsuit claiming McDonald's was reneging on its promise to grant him the Paris-area development rights.

Mullin, who was not Dayan's attorney at the time, said a judge ruled in Dayan's favor and ordered McDonald's to grant him a licensing agreement. The court reportedly set the franchisee fee of 1% of gross sales Dayan paid to the company. Other European franchisees

(Continued on page 83)

PUBLISHER'S COMMENTARY

Restaurant critics: Their real purpose

By Thomas Hass

I have been a supporter of restaurant critics, in spite of the overwhelming opinions of most restaurant operators that critics are worthless and serve no purpose. Critics do serve a purpose when they tell the consumer what is good and what is bad about a restaurant.

Unfortunately, good and bad are personal and subjective. In some instances, if a critic is overqualified from a technical point of view, they really do not communicate to the consumer; their words have more meaning to a very limited group of superlative cooks and food technologists.

Many times, I read reviews and imagine the restaurant critic dressed in somber and understated grays geared to enter what seems to be not a restaurant but a Sherlock Holmes laboratory with magnifying glass and a chemistry set, searching for the cumin which has been placed obviously somewhere it shouldn't be. Now finding that cumin is really impressive, since 99% to 100% of the American public has no idea what cumin is—even if their palate were sophisticated enough to find it.

The bottom line is that I am tired of reading about one star, no star restaurants in New York or any other city. As a dining afficionado, I like to know what's good, what's exciting, what's unique and which restaurants provide a truly spectacular eating/social experience.

Therefore, I will provide you with my opinion of what I think is a superb restaurant. In fact, I will give this operation four "golden forks" because I think it is great. The name of the restaurant is the Quilted Giraffe. It is located at 995 2nd Ave. in New York City. The owners are Barry and Sue Wine and they are neat people whose warmth and friendliness makes dining in what might otherwise be a pretentious French restaurant atmosphere comfortable. This friendly feeling carries over to service personnel who are low key, conscientious and extremely courteous, all of which makes the experience expensive but fun.

The Quilted Giraffe is an American-run, Nouvelle Cuisine restaurant with beautiful table settings and a magnificent wine list. That list is presented in high-tech style on a computer printout; the computerization allows the Wines to update inventory on a daily basis.

The plate presentation at the Quilted Giraffe is breathtaking, while the menu selection is varied and bold in its uniqueness. I started with raviolli stuffed with finely chopped chanterelles and garnished abundantly with succulant whole wild mushrooms. The sauce was light butter and wine, very understated so as to let the mushroom flavor through loud and clear.

I also tried the marinated salmon with fresh basil which was

(Continued on page 83)

Football strike may leave vendors facing loss

By Rurick Telberg

Food-service concessionaires at the nation's football stadiums were facing at presstime late last month the prospect of losing $2.5 million in sales for every Sunday that the National Football League Players Association remained on strike.

In addition, hundreds of tavern-owners across the nation, dependent on fans to watch big-screen TV, were braced for quiet Sundays and lonely Monday and Thursday nights.

"We'll close up," said Jerry Kaye, general manager of the Sports Deli restaurant in Los Angeles which features two big TVs and nine others throughout the 260-seat restaurant.

"We'll lay off our help four and a half hours early," he said.

The last time a major league sport went on strike—the baseball strike of 1981—the Sports Deli was sold, Kaye said.

"For every two people who come to the ball park, we sell a hotdog," said Rob Forbes, general manager of the Baltimore Colts' stadium for the Volume Services Division of Interstate United. "We're not going to sell many hotdogs to empty seats."

"You can't have contingency plans when you don't know how long the strike will last or how many games will be left," said Sheldon Silver, a spokesman for Interstate United, which in addition to Baltimore, handles stadiums in Kansas City, Minnesota, Tampa Bay, Chicago and Anaheim.

Contract feeders, who figure that football fans spend roughly

(Continued on page 83)

Spouses invited to tour Capitol

Varied program at MUFSO '82

WASHINGTON—An elegant program of tours and lectures by Washington personalities will be available to spouses of food-service operators attending this year's Multi-Unit Food Service Operators conference (MUFSO) at the Washington Hilton Oct. 24-27.

(The conference itself is sponsored annually by *Nation's Restaurant News*. For registration information, call 212-371-9400, ext. 282. The full program will include many newsmaking speakers including Pizza Time Theater founder Nolan Bushnell, Sen. Ernest Hollings, Adm. Hyman G. Rickover and economist Otto Eckstein.)

Devised and coordinated specially for MUFSO '82 by Washington Whirlaround, a meeting planning firm run by a group of prominent Washington women, the spouses program will kickoff Sunday, Oct. 24 at 10 a.m. with a tour of Washington restaurants that is open to all conference attendees.

Visits are scheduled at Rive Gauche, The Broker, Germaine's, and Le Lion D'Or during the three-hour tour.

Concurrently, for those not interested in visiting the restaurants, a guided visit to Washington's home in Mount Vernon and to historic sites in Alexandria, Va., will be available.

Monday morning, following breakfast, a tour of the Capitol is scheduled, including visits to areas not generally open to the public.

From the Capitol the spouses group will be going to Pisces, a private club in Georgetown, for lunch.

Afterward, a State Department lecturer, Mrs. Carter Burns, will address the group on the background of the National Gallery of Art's new East Building. A tour of the I.M. Pei-designed building will follow.

Tuesday morning, the spouses group will tour residential Georgetown with special visits at three private mansions scheduled.

(Continued on page 83)

HIGHLIGHTS IN THIS ISSUE

10 Consumers should not be penalized for their reliance on credit cards, notes *NRN* editor Charles Bernstein in an editorial, yet oil companies are doing it while the Reagan Administration looks the other way, demonstrating in yet another fashion Government insensitivity to the restaurant industry.

11 For its first location in the Northeast, Bojangles has chosen to take a bite of the Big Apple, locating a store in the heart of midtown-Manhattan.

12 Operators who find themselves embroiled in a formal N.L.R.B. dispute can expect to wait 13 months for a decision, or about 300% longer than in the mid-1970's.

18 There's more than good publicity involved when a restaurant makes headlines by spending big bucks at a wine auction. It's also good business, explains Wine & Spirits columnist Mort Hochstein.

52 Despite initial bad press, the Lobel family—known for five generations as New York's prime supplier of meat to the wealthy and famous—is getting their first restaurant venture on the right track.

64 Davre's Inc. is putting finishing touches on its newest tableclother, set to open in the Georgia-Pacific Center next month where the company already has one huge foodservice operation in place.

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COMMODITIES

Beef prices falling, but pork still high

NRN Special Report

The good news continues this month, although the picture is a little more mixed than at the beginning of September.

Beef prices are down, substantially below last year, and it looks they will likely stay down throughout the end of the year, although there may be some temporary rises (yo-yo effect). The U.S. Department of Agriculture, in a mid-September survey, found beef raisers in the six key states had put 22% more of their beef on feed lots during August than at the same time last year. This means continued good supplies and lower prices through the end of the year for Choice and Prime grades, but it also means that producers had to cut into their herds to get the steers. This bodes ill for prices next year. Overall herd size is still almost the same as last year.

Pork, on the other hand, is holding at the same carcass price to the meat packers as beef, a phenomenon which occurred last in 1975. Prices of beef have been consistently lower than pork, yet pork continues to sell well. Farmers have been looking at this profitable level of prices and have indicated that they intend to take advantage of the situation by producing more hogs. Since, from inception to market is only about nine months for hogs, this could mean bumper supplies and lower prices by next summer. Meanwhile, pork prices will stay generally high, with some yo-yo effect as supply and demand get out of sync from month to month.

Vegetable Prices Also Mixed

Rain hit the Mountain/Midwestern bean growing areas during the last part of September. This threatens the dry bean crop in both Colorado and Nebraska, boosting the up-to-now low prices of both Great Northern and Pinto beans by about $1 to $1.50 a pound. If the rains do not continue, the prices will probably fall again, since this year's crop is a large one, and pintos, at least, are not expected to be depleted by Mexican purchases this year or next.

Canned peas are a bargain this year. The price of food service 6/10 packs in the Midwest have remained about the same as they were last year, $9.75 a case. In some cases, as the new pack is placed on the market, there are even price concessions to distributors of as much as 50¢ to $1 per case for large lots. Distributors buying now will probably have peas at near last year's prices throughout the middle of 1983.

Frozen pea prices are holding steady, but they are about 6% over last year at packer list prices. However, astute distributors can find bargains as much as 4% lower than last year's prices. Quality, even within the same grade, varies, however. Lowered interest prices have made some packers take a chance with larger inventories than they had planned at the beginning of the season.

Look for an increase in the price of canned green beans soon. Indications are that price increases of from 50¢ or more a case will be announced by packers. Frozen green beans are expected to stay at present prices, although there is a chance of about 1¢ per pound increase if labor and energy prices increase as expected.

Higher french fry prices are surfacing, with frozen suppliers working down heavy inventory levels of last year. This year's pack is expected to be more conservative, with prices continuing to elevate through next year.

Fruit Picture Clouded

Pears are in good supply, but canners have not moved list prices down. What did happen was a flurry of special "deals" in early September, which spread across pears, cling peaches and fruit cocktail. Distributors buying large supplies then will find their basic prices lower than current offerings. While pears are in good supply, clings are actually down by about 10% to 12% under last year's pack, making the price drop flurries less understandable for peaches. With a better pear supply, fruit cocktail packers are planning to put up a more "white" pack than the last couple of years.

Apricot supply is so tight that estimates anticipate packers running out of inventory well before the next pack season. If you

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PRICE MOVEMENT AT A GLANCE

	Sept. 17 1981	Aug. 17 1982	Sept. 17 1982
Beans, green, regular cut, frozen, West Coast (lb.)	$ 0.47	$ 0.45-0.50	$ 0.45-0.50
Beans, pinto, dry, Colorado (cwt.)	$22.50	$13.00-13.50	$14.50
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 1.04	$ 1.03	$ 0.97
Broilers, Grade A, icepack, NYC (lb.)	$ 0.4720	$ 0.4463	$ 0.4450
Catfish, frozen, farm-raised (lb.)	$ 1.76	$ 1.60	$ 1.52
Catsup, Fancy, Calif. (6/10)	$15.80-16.05	$16.30	$16.30
Corn, whole kernel, Fancy, Midwest (6/10)	$10.50	$12.25-12.50	$12.25-12.50
Lettuce Iceberg, Calif. (24s)	$ 5.50-6.00	$ 3.00-4.00	$ 3.50-5.00
Peas, Fancy 4 sieve, Midwest (6/10)	$ 9.75-10.00	$ 9.75-10.00	$ 9.75
Pork loins, Choice, 14-17 lb., Midwest (lb.)	$ 1.05	$ 1.25	$ 1.175

Source: *NRN Research*

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Founded Hardee's in 1961

Leonard Rawls dies at 51

ROCKY MOUNT, N.C.—J. Leonard Rawls, who parlayed a $20,000 investment in a drive-in restaurant to the $1 billion sales of Hardee's Food Systems, died last month of a heart attack. He was 51.

Rawls founded the Hardee's fast-food chain in 1961 when he and a boyhood chum, Jim Gardner, purchased the rights to a char-broiled hamburger restaurant created by Wilber Hardee of Greenville, N.C., for $20,000.

Rawls was president and chairman of the company until 1975 when he stepped down as president, retaining the job of chairman until 1980.

Hardee's was merged into Imasco Ltd., a Montreal-based tobacco-maker and drug store chain operator, in January 1981.

"Leonard was a visionary," said Gardner, who left the company in 1964 to enter politics. "He had the ability to quickly size up situations and opportunities."

"He helped create the fast-food industry as we know it today," said Charles Bradshaw, chairman of Spartan Food Systems, Hardee's first franchisee and now its biggest.

Joseph Leonard Rawls Jr. was born in Rocky Mount on June 14, 1931, a son of a moderately successful businessman.

He attended public schools and a private academy. He dropped out of the University of North Carolina at Chapel Hill, N.C., after marrying Nancy Lee Williams. They were recently divorced.

He completed his education at Benjamin Franklin University in Washington, D.C., earning a business degree. He later studied at East Carolina University in Greenville, N.C.

After two years in the Army, he opened an accounting practice in 1958 and operated it until he founded Hardee's in 1961.

Rawls guided the company from a handful of units to a publicly held company in August 1963. In February 1972 Hardee's merged with Sandy's fast-food chain of Kewanee, Ill.

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Described as a "visionary," who "helped create the fast-food industry as we know it today," J. Leonard Rawls guided the growth of the Hardee's fast-food chain. Inset shows a jubilant Rawls after winning one of the many industry awards he garnered during a food-service career that spanned over 20 years.

Shoney's franchisee is ordered to halt illegal lie detector tests

By Laura Woda

WASHINGTON—The National Labor Relations Board ordered a multiunit Shoney's franchisee in Georgia to stop requiring employees to undergo illegal lie detector tests and to rehire two waitresses fired last year after engaging in union organizing activities.

That Federal ruling stemmed from a complaint charging that Restaurant Management Services Inc.—which operates 10 franchised Shoney's outlets in the state—forced a number of workers to take polygraph examinations as a ploy to get rid of two prounion Augusta, Ga., waitresses.

For their part, officials at the chain told N.L.R.B. that the tests were administered in an effort to weed out dishonest employees suspected of stealing food from one of the company's three Shoney's franchised restaurants in Augusta.

In testimony before the Board, R.M.S.' Shoney's division operations director William Marstellar told Federal labor regulators that food costs at the company's Washington Road unit jumped abruptly early last year from an average of 33% of gross receipts to 37.6% of sales.

On the basis of the polygraph test results, the franchisee discharged two night shift waitresses—one who had actively engaged in union organizing activities and another who had admitted that she complained of the restaurant's personnel practices to the Labor Board.

Although the company denied that the firings were related to these activities, the waitresses charged that the real purpose of the lie detector exams was to get rid of "the troublemakers in the store."

One of the discharged employees told N.L.R.B. that the polygraph tests were ordered because the chain suspected that she sought Government assistance in resolving job-related problems such as "having to work under an overload and being told to come in even when sick."

Although the waitress never followed through on plans to launch a full-scale union campaign, her contact with union representatives and N.L.R.B. officials distressed the management, the waitress claimed.

Another waitress charged that once the management suspected her of union involvement they tried to threaten her. "You could get into a lot of trouble with the Internal Revenue Service because 'everyone knows that workers do not claim all of their tips,'" Marstellar allegedly told the waitress.

After it became apparent

(Continued on page 83)

2 Lums subsidiaries file for Chapter XI protection

MIAMI—The Wienerwald restaurant empire founded by Friederich Jahn crumbled a little bit more last month as two United States subsidiaries that operate 70 Lums restaurants filed for protection under Chapter XI of the Federal bankruptcy laws.

The stores, long the most marginal in the chain, constitute the lion's share of company-operated units in the system, said Lums attorney Robert Paul.

The 225-unit coffee shop chain recently rolled out an expanded menu while the holdings of Jahn undergo reorganization. Wienerwald filed the European version of Chapter XI in August.

Lums and the International House of Pancakes, another Jahn holding, were said to be up for sale to the highest bidder, but an IHOP spokesman said IHOP had no plans to file Chapter XI.

Together, the Lums and IHOP chains number about 800 units, or about half of Wienerwald's 1,500 restaurants worldwide.

Two filings

The two American subsidiaries that filed for protection from creditors were Interstate Restaurant Systems Inc. and Hospitality Restaurants Inc., both of Miami.

Interstate operates 45 Lums in Florida, Ohio, New York and Illinois. A year ago the company listed 93 units, 35 of them franchised.

Interstate listed assets of $8 million and liabilities of $15.6 million in court papers.

Hospitality owns 25 units, after selling or shutting 18 in recent months. It listed assets of $4.7 million and liabilities of $7.7 million.

FINANCIAL NEWS

Sambo's cites adjustments in 2nd-qtr. loss

CARPENTERIA, Calif.—Sambo's Restaurants Inc. reported a net loss of $43.2 million for the second quarter ended July 1. But company sources asserted the loss was anticipated and the results should now improve.

Included in the loss is $32.5 million in adjustments to the carrying value of assets.

For the same period last year Sambo's reported a net loss of $7.3 million.

Sales for the second quarter of 1982 were $74.2 million compared to $126.6 million in last year's second quarter. The chain operated 666 restaurants on July 1 compared to 1,117 on July 2, 1981.

For the first half of 1982, Sambo's sustained a net loss of $54.0 million vs. a $16.7-million net loss in last year's comparable period.

The second-quarter reappraisal of assets by the current regime of ceo Robert Luckey and chief operating officer Roger Kisiel includes a $10.7-million reduction in the carrying amount of capitalized leased property. Other adjustments are an $8.8 million reduction in the carrying amount of property held for sale, a $3.9 million write-off of investments in repurchased joint venture interests, a $3.7-million adjustment of inventories to net realizable value and a $3-million write-off of signs in connection with the company's new restaurant program.

Rounding out the $32.5-million schedule of adjustments are a $1.6 million provision for maximum rent liability in connection with a lease disposition program and $800,000 in miscellaneous accruals and adjustments.

Had the adjustments not been stated in the second quarter the company would have posted a $10.7 million net loss. In the preceding quarter ended April 1, when the effects of normal winter slowdown might have been considered a factor, the company's losses of $10.8 million were virtually the same as in the subsequent three months.

The Luckey-Kisiel executive team took over the beleaguered company in the midst of Chapter XI bankruptcy proceedings in mid-February.

In addition to the second-quarter adjustment of assets, Sambo's has retroactively restated its financial statement for the year ended December 31, 1981. The company, which had reported a net loss of $53 million, now figures that loss at $84.5 million.

Revisions for fiscal 1981 include an increase in the provision for the carrying value of capitalized leased property in the amount of $15.6 million. Also included were an estimated rent liability of approximately $6 million for restaurants closed in 1981, and a reversal of $9.9 million in income tax credits.

In a joint statement issued on Aug. 30, Luckey and Kisiel reported on the addition of key corporate management personnel and continuing work on new restaurant concepts.

Sea Galley repossesses 7 Va. units

MOUNTLAKE TERRACE, Wash.—Sea Galley Stores Inc., owner and operator of 44 Sea Galley Restaurants and four Family Fish Houses, has announced plans to repossess seven Virginia restaurants sold to Tidewater Fish House Enterprises Inc. in 1981.

The action follows a default on the part of Tidewater to meet the terms of its five-year purchase contract for the units.

Sea Galley, which will assume none of Tidewater's liabilities, expects no profit or loss effect arising from this transaction.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Sept. 25							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield	Last X-Dvd. Date	Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	6.00	5.63	5.75	-.13	-2.13	7.50	3.50	-.02	-1.03	2.58	38.02	.47	-.43	N	-95.5	-25.0	4.3	287.5	.00	.0	01-06-81	27.7	1.2	2.4	5.69	2.90	1081
Am Motor Inns	INN	20.75	18.75	19.88	1.00	5.30	20.88	10.00	.09	-.09	4.47	-18.97	2.17	.44	F	25.4	35.0	7.0	9.2	.22	1.1	08-10-82	142.3	8.9	1.5	15.62	10.87	0781
ARA Services	ARA	34.25	32.25	33.50	.50	1.52	34.25	23.50	.29	.76	-2.60	13.33	4.00	-1.28	N	-27.0	-2.0	1.5	9.7	2.00	6.0	08-26-82	2915.9	45.1	1.2	21.04	44.21	0981
Assoc Hosts	AHST	5.75	5.63	5.75	.00	.00	6.50	4.88	-.06	-.19	1.17	54.17	.66	-.01	N	-1.5	-10.0	2.6	9.1	.12	2.1	09-07-82	79.9	2.1	1.5	6.40	7.04	0981
Beefstk Char	BSCC	6.00	5.00	5.50	-.38	-6.38	6.50	2.88	.00	1.95	6.04	7.21	.62	.11	S	18.9	32.0	2.4	8.0	.00	.0	00-00-00	86.2	2.1	1.2	1.49	3.09	1081
Bob Evans Farms	BOBE	25.25	24.75	25.00	.00	.00	25.75	16.59	-.17	.12	1.62	15.39	1.45	.20	Q	16.0	24.0	7.9	17.2	.36	1.4	08-16-82	173.4	13.7	1.7	.00	6.90	0482
Bonanza Intl Inc	BNZA	2.00	1.75	1.75	-.25	-12.50	2.38	1.06	-.36	-.42	3.58	9.70	-3.33	-2.56	S	NE	-65.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.24	1.50	1281
Brock Hotel Cp	BHC	14.38	11.00	12.00	-1.63	-11.93	17.50	9.63	.05	.87	1.19	-48.80	.59	.40	S	129.0	24.0	4.3	16.9	.10	.8	09-27-82	165.1	7.1	1.2	11.01	3.90	1281
Calny Food	CLNY	10.50	8.50	10.50	2.00	23.53	10.50	7.16	-.12	5.38	12.98	47.19	1.11	.11	Q	11.8	5.0	3.2	10.1	.20	1.9	07-29-82	37.0	1.2	.6	1.51	2.27	0282
Carrols Develop	CRL	6.88	5.63	6.63	.88	15.22	6.88	3.97	.29	.17	4.68	-28.65	.66	.27	F	69.2	44.0	1.9	10.0	.09	1.4	12-24-81	68.6	1.3	.6	9.82	5.99	0582
Chart House	CHHO	23.63	22.63	23.00	.00	.00	23.63	15.88	.21	.37	2.37	-11.67	2.03	.23	S	12.4	14.0	5.0	11.1	.60	2.6	06-24-82	353.9	17.7	.9	14.53	10.14	1281
Chi-Chis	CHIC	21.25	18.75	21.25	2.38	12.58	21.25	10.84	.70	1.13	-2.21	26.37	.55	.22	Q	55.0	26.0	11.1	34.3	.00	.0	06-28-82	14.9	2.1	3.1	1.10	1.23	0481
Ch Full O Nut	CHF	17.00	15.38	16.75	1.00	6.35	18.00	9.25	-.51	.31	-1.11	-18.32	.66	-.44	N	-51.1	20.0	2.7	39.9	.40	2.4	07-01-82	118.7	3.2	3.4	.80	5.42	0781
Churchs Fr Ch	CHU	33.38	30.50	31.38	-1.75	-5.28	33.50	25.00	.23	.02	1.94	-.97	3.52	-.06	N	-1.7	16.0	10.8	9.2	1.00	3.2	07-26-82	412.1	44.6	1.9	1.02	15.25	1281
Cindys Inc	CNDYC	3.88	3.13	3.75	.63	20.00	3.88	2.50	-.08	5.16	.18	30.36	-.06	1.37	F	NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.17	.29	1281
Collins Foods	CF	17.50	15.63	16.25	.25	1.56	17.50	7.75	.33	-.29	-1.74	6.79	1.69	.57	Q	43.8	15.0	3.2	8.7	.24	1.5	09-24-82	298.0	9.6	1.3	7.44	10.69	0482
Consul Corp	CNSL	8.38	7.25	8.38	1.13	15.52	8.38	5.25	.61	.82	5.37	12.26	.00	.08	F	NE	NE	.0	NE	.00	.0	00-00-00	17.6	.0	.7	2.21	2.88	0582
Cracker Barrel	CBRL	11.25	10.75	11.25	.50	4.65	11.25	7.25	.25	.63	4.88	-18.18	1.03	1.03	F	NC	19.0	3.7	10.9	.00	.0	00-00-00	28.5	.9	1.0	5.41	2.74	0781
Dennys Inc	DEN	29.88	27.25	27.75	-1.63	-5.53	30.25	14.75	-.03	-1.59	-1.53	-13.86	2.47	.45	F	22.2	7.0	3.9	11.2	.64	2.3	09-03-82	840.7	26.9	1.5	15.99	13.17	0681
Dunkin Donuts	DUNK	20.25	19.00	20.25	1.00	5.19	20.38	11.13	.23	.67	2.67	-.42	1.82	.25	N	14.0	19.0	8.3	10.0	.36	1.8	08-09-82	68.7	5.7	1.3	11.44	10.61	1081
Frischs	FRS	10.75	9.75	10.63	.25	2.41	11.63	5.78	.17	.39	3.24	34.62	1.87	.50	F	36.4	14.0	3.8	5.7	.40	3.8	09-29-82	101.0	3.8	1.5	6.48	14.12	0582
Hambrg Hamlet	HAMB	5.75	5.75	5.75	.00	.00	8.25	5.00	-.31	-.19	7.07	.00	1.35	1.08	F	400.0	-13.0	3.2	4.3	.00	.0	00-00-00	31.6	1.0	.7	20.45	13.07	0382
Hardwicke	HAWK	1.88	1.75	1.75	.00	.00	4.38	1.38	.19	-.42	12.91	5.43	-2.22	-3.88	S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.38	8.12	0981
Hilton Hotels	HLT	40.00	35.50	36.38	-1.25	-3.32	41.63	27.63	.30	-1.48	-1.56	-5.50	4.22	-.37	S	-9.0	22.0	20.9	9.8	1.80	4.9	08-30-82	539.3	112.6	2.0	4.48	19.98	1281
Holiday Inns	HIA	35.88	33.00	34.38	.88	2.61	36.00	21.88	.47	-.22	1.34	29.25	3.66	1.20	S	47.8	25.0	7.8	9.3	.80	2.3	09-13-82	1765.1	137.4	.8	20.99	25.33	1281
Holiday Inns A	HIA A	53.25	50.00	52.00	1.00	1.96	53.25	33.00	.66	.15	-.76	5.56	NA	NA		NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	21.13	18.38	20.25	1.25	6.58	21.13	7.28	.37	.27	.25	-.32	1.05	.09	S	10.0	31.0	2.7	20.5	.00	.0	09-27-82	166.1	4.5	1.7	12.59	6.93	1281
Hungry Tiger	HTIG	10.50	8.50	8.50	-.75	-8.11	10.50	6.00	-.60	-2.29	2.62	21.04	.92	.18	N	20.4	41.0	3.2	8.0	.00	.0	08-24-81	49.9	1.6	.8	5.84	4.09	0881
Imperial Grp	IMT	1.75	1.63	1.75	.00	.00	1.88	1.06	-.41	1.29	-4.29	-54.55	.24	.00	F	.0	2.0	2.0	7.3	.14	8.0	09-28-82	8462.9	171.0	1.1	.65	2.08	1081
Intl Dairy Queen	INDQ	16.75	16.25	16.25	-.50	-2.99	16.75	9.25	.15	-.20	3.44	43.10	1.72	.34	S	22.5	38.0	6.1	8.8	.00	.0	00-00-00	91.3	5.6	1.1	9.68	5.82	1161
Int King Tab	IKNG	5.50	5.38	5.38	.38	7.50	5.50	1.75	.88	-.61	-.79	-8.57	.34	1.09	F	NE	-34.0	1.4	15.8	.00	.0	10-09-79	32.0	-1.0	.3	5.42	3.46	0681
JBs Rest	JBBB	7.38	6.50	7.25	.75	11.54	7.63	2.88	.31	-.61	2.40	-32.63	.63	.29	N	53.7	1.0	3.0	8.7	.16	2.2	08-09-82	36.4	1.1	.9	5.18	5.01	0981
Jerrico Inc	JERR	23.88	21.25	21.25	-2.50	-10.53	23.88	15.63	.52	-2.88	-1.86	17.98	1.75	.07	F	4.1	20.0	5.1	12.1	.12	.6	05-10-82	378.2	21.0	1.1	3.69	9.56	0681
Kapok Tr Inns	KTI	3.25	3.00	3.13	-.13	-3.85	4.50	3.00	-1.23	-.24	-3.30	.00	-.24	-.17	N	NE	-31.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.93	5.84	0981
Kelly Johnston	KEJO	19.63	19.00	19.63	.75	3.97	19.63	10.75	.19	.11	1.42	-3.18	.89	.27	Q	42.8	111.0	8.1	21.8	.00	.0	00-00-00	11.9	.7	.4	.77	.94	0381
Karcher Carl	CARL	16.00	15.38	15.75	.38	2.44	16.13	8.88	.22	.54	-.05	-6.25	1.51	1.69	S	NC	16.0	3.4	9.3	.00	.0	00-00-00	200.6	6.9	1.9	6.43	8.34	0182
Lubys Cafe	LUB	28.88	26.88	28.88	1.13	4.05	32.00	23.50	-.49	1.74	-.27	33.68	1.45	.25	N	18.1	23.0	9.1	17.7	.60	2.1	09-03-82	108.2	9.8	1.1	.90	5.98	0881
Marcus Corp	MRCS	7.13	7.13	7.13	.00	.00	7.25	5.00	-.53	-.05	2.13	-17.20	1.13	-.02	F	-1.7	6.0	5.7	6.3	.00	.0	08-24-81	105.3	6.1	.8	2.85	8.54	0581
Marriott Corp	MHS	48.38	43.00	48.25	3.75	8.43	48.38	31.63	.47	1.55	.05	22.56	3.20	.37	S	12.6	30.0	4.3	14.7	.30	.6	09-20-82	2000.3	86.1	.9	23.23	16.12	1281
McDonalds Cp	MCD	88.25	80.25	87.00	6.38	7.91	88.25	57.38	.12	.41	-1.48	6.73	6.54	.95	S	15.7	18.0	10.7	12.4	1.20	1.4	07-20-82	2477.2	264.8	.5	23.01	34.07	1281
Morrison Inc	MORR	12.38	12.13	12.13	.13	1.04	12.38	8.13	-.28	-.33	.14	-20.82	1.16	.21	F	22.1	8.0	4.1	10.5	.36	3.0	07-12-82	364.3	15.1	1.4	2.95	7.90	0582
Mr Steak	MSST	1.88	1.88	1.88	.13	7.14	3.38	1.75	-.43	.00	-2.82	35.62	.22	-.47	N	-293.7	-23.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.45	4.70	0981
Nathans Famous	NATH	1.06	1.06	1.06	.00	.00	1.78	.59	.86	.35	.87	-47.14	.03	.86	F	NE	NE	.6	35.4	.00	.0	09-09-82	16.7	.1	.5	.10	1.73	0382
Oakbrook Cons	OKCO	11.00	10.00	11.00	1.00	10.00	11.00	9.00	-.14	2.79	-14.02	.00	1.74	-.83	N	-47.9	3.0	1.3	12.2	.32	2.9	06-08-82	133.4	1.7	.8	5.60	13.02	0981
Orange-co	OJ	7.00	5.25	7.00	1.75	33.33	11.38	4.63	.51	4.51	3.32	35.92	1.01	-.81	N	-84.3	24.0	5.4	46.7	.20	2.9	02-22-82	76.2	4.1	1.9	10.24	7.21	0881
Piccadilly Caf	PICC	16.13	14.63	16.13	1.63	11.21	18.13	13.50	-.05	.72	-.88	-7.41	1.39	.09	F	6.9	14.0	5.9	11.6	.56	3.5	09-09-82	127.2	7.8	1.7	.00	6.40	0681
Pizza Inn	PZA	5.50	5.13	5.13	-.13	-2.38	8.00	4.50	.05	-.98	.46	34.77	.50	-.09	S	-15.2	-7.0	1.0	10.3	.00	.0	00-00-00	133.5	1.4	.9	12.94	6.65	1281
Pizza Time Thea	CHKY	27.00	14.50	17.25	-10.00	-36.70	32.50	14.50	-1.06	2.39	10.77	-12.08	.58	.90	S	529.4	41.0	7.2	16.1	.00	.0	00-00-00	36.2	2.6	3.2	.81	7.87	1281
Ponderosa Sys	PON	21.38	19.50	20.75	-.38	-1.78	22.38	11.75	.33	.31	2.89	-1.06	2.01	.95	S	78.5	-8.0	2.4	9.6	.50	2.4	09-21-82	353.9	8.5	1.0	19.96	16.83	0282
Ramada Inns	RAM	5.38	4.88	5.00	-.13	-2.44	7.38	4.25	-.24	-.88	-1.38	6.31	.05	-1.45	S	-198.6	-29.0	.4	NE	.12	2.4	10-19-81	395.5	1.4	.6	18.98	6.03	1281
Restaur Assc	RA	4.13	3.88	4.13	.38	10.00	5.50	3.25	-.30	1.39	-.88	-14.63	.97	-.33	S	-32.3	46.0	2.4	6.0	.00	.0	00-00-00	99.2	2.4	1.3	3.17	6.38	1281
Saga Corp	SGA	30.75	29.25	30.38	.88	2.97	30.88	16.00	-.03	.33	-.50	40.35	3.35	.99	F	41.9	19.0	1.9	9.1	.56	1.8	08-16-82	819.0	11.6	.9	9.34	14.96	0681
Sea Galley	SEAG	8.75	8.50	8.50	-.13	-1.45	11.00	6.75	.15	-.17	.63	-2.14	.68	-.08	S	-11.5	51.0	4.5	13.9	.00	.0	06-02-81	49.0	2.2	1.8	2.38	4.99	1281
Servico Inc	SRVI	9.00	8.25	9.00	.75	9.09	9.09	6.38	.03	1.65	10.87	-62.35	1.54	-.82	S	-41.8	74.0	3.5	7.9	.00	.0	07-09-82	126.4	4.4	1.1	50.99	5.46	1281
Shoneys Inc	SHON	20.00	19.50	20.00	.50	2.56	20.00	12.00	.02	.45	-3.70	19.81	1.03	.25	N	25.7	21.0	5.5	16.4	.16	.8	06-28-82	269.4	14.8	1.0	1.97	5.03	1081
Skippers	SKIP	7.00	6.50	6.50	-.25	-3.70	7.75	4.25	.74	-.99	-.72	1.59	.73	-.53	S	-51.4	4.0	3.0	13.0	.08	1.2	04-23-82	33.7	1.0	1.2	3.45	6.07	1281
Sonesta Hotel	SNSTZ	13.50	13.50	13.50	-.50	-3.57	14.00	8.50	.08	-.03	2.15	-37.50	.94	-.66	S	-37.0	43.0	1.4	12.1	.20	1.5	06-25-82	145.0	2.1	.9	27.74	10.01	1281
So Hospitality	SHOS	1.75	1.63	1.63	-.13	-7.14	2.00	1.00	-.15	-2.42	1.74	-33.33	.14	.06	F	75.0	12.0	2.5	11.6	.00	.0	00-00-00	20.3	.5	1.0	2.29	-.20	0582
Steak n Shake	STAK	3.00	2.88	2.94	.06	2.17	3.13	2.38	-.30	.51	6.33	22.60	.06	-.15	N	-62.5	-32.0	.5	32.6	.00	.0	05-17-79	56.5	.3	1.2	4.60	2.60	0981
Valles Steak	VLE	6.75	6.75	6.75	-.13	-1.82	6.88	4.25	-.51	-.16	-8.62	.00	-.38	-.43	Q	NE	-36.0	-1.5	NE	.00	.0	11-01-78	66.1	-1.0	1.5	6.27	9.06	0382
Victoria Stations	VSTA	6.75	5.88	6.00	-.75	-11.11	11.00	5.75	-.22	-3.11	-2.00	7.73	.35	1.40	Q	NE	-36.0	1.0	37.5	.00	.0	09-19-79	123.4	1.2	1.0	7.67	10.49	0382
Wendys Intl	WEN	20.50	18.63	19.88	.75	3.92	20.50	12.25	.17	1.25	1.77	18.49	1.52	.14	S	9.7	18.0	7.6	12.6	.28	1.4	05-11-82	486.6	36.9	.6	3.84	7.89	1281
Webb Del E	WBB	7.25	6.38	6.63	-.50	-7.02	8.75	4.88	-.31	-1.42	-1.83	6.70	.56	.64	S	NE	-28.0	1.3	17.0	.00	.0	11-07-80	414.8	5.3	1.1	16.12	13.25	1281
Winners Cp	WNER	11.75	10.88	11.38	.38	3.41	11.75	6.38	.34	-.42	5.40	-19.48	.67	.61	S	321.0	5.0	2.1	14.2	.00	.0	00-00-00	72.7	1.5	.3	13.37	7.09	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Sysco Corp.	12 mos. 12 wks.	7/3			$ 1.71B 475.000	21 29	$ 34.000 9.800	28 32
Chi-Chi's Inc.	13 wks.	7/31			15.591	105	1.744	51
Consul Corp.	3 mos.	8/31			7.168	121	$318,594	48
Southern Hospitality	13 wks.	8/31			5.487	11	$191,820	154
Church's Fried Ch.	13 wks.	9/5			104.928	1	28.920	(4)
La Quinta Motor Inns	13 wks.	8/31			30.985	16	5.002	40

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Expense of 17 restaurant openings cuts General Mills' first quarter earnings

MINNEAPOLIS—General Mills said a weak economy and the expense of opening 17 new restaurants set back first quarter earnings in its 539-unit restaurant group, which includes the Red Lobster Inns chain.

General Mills posted a companywide net profit decline of 11% to $60.5 million for the 13-week first quarter ended Aug. 29. Companywide sales gained 3% to $1.4 billion.

The company does not break out quarterly financial figures for its five divisions.

Despite the set backs, the company predicted an earnings increase for all of fiscal 1983, particularly in its restaurant group where 75 new restaurants are planned. In addition, the earnings decline was expected because the year-earlier period was unusually strong, the company said.

A spokesman said the first-quarter restaurant development expenditures included adding seven restaurants to the Red Lobster chain, for a total of 335 at the end of the quarter.

Four Darryl's restaurants opened during the quarter, for a total of 22, and two New York Steak Houses opened for a total of 141, he said.

Three Good Earth restaurants opened—two of them franchised—for a total of 29, plus one new Casa Gallardo opened for a total of 13.

Last year General Mills spent $122.4 million to build 61 company-owned restaurants. It was a 30% spending increase over the year before and represented 43% of the company's capital expenditures, more even than its consumer foods division. Restaurants contributed 19% of the company's operating profits and 12% of its sales last year.

King's Table reverses '81 loss

EUGENE, Ore.—International King's Table Inc., the 53-unit smorgasbord chain based here, has reported profits for the fiscal year ended July 3 of $508,000, compared with a $1 million loss in the previous year.

Sales for the year increased 14% to $36.6 million.

Net income for the fourth quarter was $266,000, compared with $34,000 in last year's closing period. Quarterly revenues rose 23% to $9.7 million from $7.9 million a year ago.

Roger W. Houmes, IKT's president, ceo and chairman, credited a new marketing program and a revamped menu as the basis for sales boosts which reduced the company's need for high-interest borrowing.

Houmes said average restaurant customer counts were up 10% for the year and 5% in the fourth quarter, marking "the sixth consecutive quarter that customer count was greater than the year before."

King's Table reopened two restaurants in June, ending the year with 52 smorgasbord units in seven western states and one Oh Susannah's restaurant in Eugene.

Mr. Steak net drops 81% in qtr.

DENVER—Mr. Steak Inc. has reported an 81% drop in net income to $26,000 for the third quarter ended June 27 from $140,000 in the same period a year earlier. Revenues for 1982's third quarter were up 17% to $16.5 million.

There are 252 Mr. Steak restaurants in the United States and Canada. The company also processes and distributes beef and other food products, equipment and supplies to the food-service industry through wholly owned subsidiaries.

Domino's to undertake $27 million long-term construction program

ANN ARBOR, Mich.—Domino's Pizza says it will undertake a $27 million long-term expansion plan.

The first phase will be construction of 225 company-owned stores in the next 15 months, president Thomas Monaghan said.

Five banks are involved in financing the program, which calls for a $7 million revolving credit expiring on Dec. 31, 1983, and a $20 million loan from that date until Dec. 31, 1986.

Domino's began in 1960 with one store in Ypsilanti, Mich. There are now about 750 stores in 47 states. The chain specializes in free delivery of pizzas. Most units are near educational and military institutions.

Corporate revenues are projected at more than $125 million for 1982 and systemwide sales at $312 million.

Ryan's Steak profits up 26% for second qtr.

GREENVILLE, S.C.—Ryan's Family Steak Houses, reporting its first quarterly results since going public, said profits were up 26% to $197,000 and revenues up 6% to $2.3 million for the second quarter ended June 30, compared to the prior-year quarter.

Six month profits were up 33% to $407,000 and revenues up 6% to $4.2 million, compared to the year-ago period.

The nine-unit chain recently raised $3.7 million in an initial public offering of about 458,820 shares of common.

Acquisition of Abrams Meat by American Fruit expands service

ST. PAUL—The American Fruit and Produce Company based here has acquired Abrams Meat Distributors Inc. for an undisclosed sum. The purchase will enable American Fruit "to broaden our product line and expand service" in Minnesota, Iowa, Wisconsin, North Dakota and South Dakota, said company president Moe Sabes.

With the purchase, American Fruit acquired Abram's 20,000-sq.-ft. plant in Eau Claire, Wis. No personnel changes are planned, said Sabes, and Steve Abrams, who was president of Abrams Meat, has joined American Fruit as general manager of the Eau Claire facility.

American Fruit and Produce, founded in 1932, is the largest independent food distributor in the five-state Upper Midwest region and is among the top five independents nationally. It operates a 190,000-sq.-ft. warehouse and office facility in the St. Paul suburb of Eagan, plus nine sales outlets.

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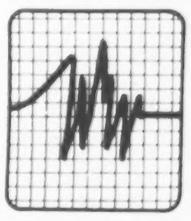

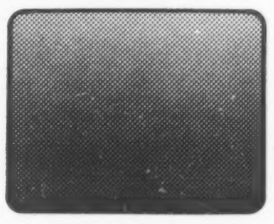

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2nd Research Report Confirms...

Fact: Operators rate quality and brand acceptance more important than ever.

Product quality, always a prime consideration, jumped 11 points higher in the most recent independent research than in an earlier study. And consumer brand acceptance soared 24 points in importance to the operators interviewed. Put these facts together with Heinz top ratings in quality and acceptance and it's clear why Heinz ketchup is the operator's best buy.

*Source: Lebhar-Friedman Research

Heinz
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SPECIAL MUFSO ISSUE

- ***Full preview of '82 conference—Pp. 129-135***
- ***Washington D.C. market study—Pp. 53-108***

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Big Three declare burger war

Meat scare hits McD—See story, Page 3

By Joe Edwards

Behind Burger King's brash and controversial taste-test advertising campaign is a recent history of flat sales, disenchanted franchisees and a corporate weariness about being the perennial No. 2 fast-food hamburger chain.

Behind the surprisingly combative reactions of McDonald's and Wendy's—each has sued Burger King for "false and misleading advertising"—is the growing testiness of many fast feeders trying to cope with pressures of the no-growth Eighties.

Burger King's advertising assertions have left many industry executives bewildered, concerned, amused or confused. Some agree with the comment of one Midwest operator who proclaimed, "It's all a publicity stunt" on the part of Burger King.

One knowledgeable industry observer, noting the taste-test is a first for a national food-service chain, commented: "Who are they fooling? No one goes to any of those places for a good hamburger."

"All three of them are wrong," exclaimed a Marriott Corp. executive. "Roy Rogers has the best hamburgers." (Marriott owns the Roy Rogers fast-food chain.)

Whatever its motives—publicity stunt or a corporate strategy to put the emphasis back on hamburgers after a year or two of promoting specialty sandwiches—Burger King certainly is getting more than its money's worth from the $20 million ad campaign.

Consumer media coverage of "The Great Burger Wars" has been building steadily since the first Burger King television commercial aired Sept. 27 claiming that Burger King's Whopper sandwich was preferred by consumers over McDonald's Big Mac and a similar Wendy's product in taste tests conducted by a private research firm.

After McDonald's and Wen-

(Continued on page 228)

Epcot puts novel emphasis on food

By Don Jeffrey and Charles Forman

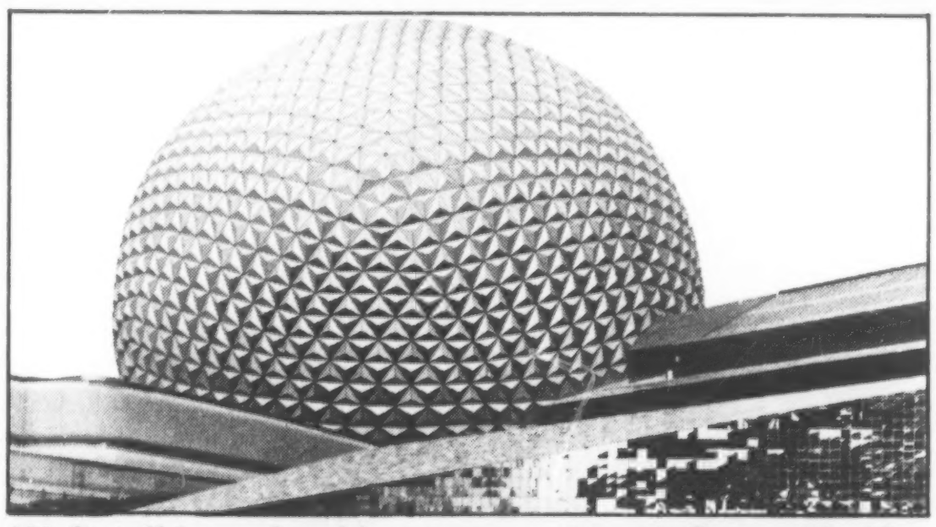
ORLANDO, Fla.—A few foul-ups left crowds intermittently milling beside shutdown attractions or suffering in lines at restaurants with empty seats, as Walt Disney Productions billion dollar Epcot Center opened this month.

Shakedown problems aside, though, tens of thousands who paid to enjoy opening weekend gaped approvingly at Disney's latest spectacular.

Company officials weren't unbuttoning their jackets, even so, because it's with Epcot they hope to give a sharp boost to their theme parks' attendance, which has been declining. (See story on theme park problems, page 136.)

Risk's nothing new to these executives—plopping the Magic Kingdom down here in the Florida swamps 11 years ago was a bigger gamble.

But the extent to which Epcot is dependent on food service is novel. Epcot could be called a food-service park with attractions. The 26 food-service spots at Epcot are expected to generate one-third of the whole complex's food-service revenues. For the fiscal year ended Sept. 30 these totaled about $125 million.



180-ft.-tall 'geosphere' is gateway to Epcot's Future World.

Crowds flocked to Farmer's Market food court on opening day.

Officials are expecting Epcot to help get 20 million hungry visitors to Walt Disney World this year alone, 52% more than last year. But so far, attendance is 5% off last year's pace.

The first crowds liked what they ate. Despite opening screw-ups they flocked to fast-food operations, stands, Farmer's Market food court and privately run, foreign-cuisine tablecloth restaurants.

(Continued on page 110)

Video pizza parlors may be passing fad, industry experts say

By Roman Czajkowsky

When Pizza Time executives told analysts last month that third-quarter earnings were likely to be flat compared with last year, the company's stock promptly nosedived by 7¼ to 16¼, then fell to 14.75 the next day.

Pizza Time founder and chairman Nolan Bushnell rushed to shore up crumbling investors' confidence. The restaurant cum video games and animated cartoon characters company, he declared, "remains profitable and sound financially," and added that Pizza Time was taking steps to improve operations, including boosting advertising and improving labor scheduling.

But two weeks after Pizza Time's Wall Street debacle, the investment community has remained skeptical. Doubts about the long-term outlook abound. Pizza Time's stock inched up a couple of points, but there was little indication it would quickly return to its earlier high.

Is the bloom already off the pizza-hamburger-kiddie games-video entertainment segment of the restaurant industry?

Hardly. Though the stock price also slumped a bit for ShowBiz Pizza, Pizza Times' closest competitor, it recovered almost immediately. There are no signs that either chain is slowing its hectic growth pace, now something on the order of two new units a week. Barring catastrophe, Pizza Time will have 200 restaurants operating by year's end; Brock Hotel-owned ShowBiz will have passed the 140-unit mark.

What's more, not a month seems to go by without another hopeful—independents as well as conglomerates—jumping into the fray to cash in on this newest, and perhaps most offbeat restaurant trend:

Jewelcor Inc., a diversified, public company, recently opened a 13,500-sq.-ft. facility in Hollywood, Fla., called the Circus Playhouse Restaurant; two more units are already going up in Atlanta.

University Properties Investment Corp., a real estate and construction firm, is building two "John Phillip Tuba's," one in Fort Lauderdale and the other in Clearwater; instead of featuring the pizza that's most commonly found at such con-

(Continued on page 227)

Directors tell NRA officials:

Develop future legislative battleplans

By Charles Bernstein

HOT SPRINGS, Va.—National Restaurant Association leaders were urged at the fall board meeting here to plan future alternative programs that could prevent the Government from stepping in and legislating such matters as the new tip reporting requirements. (See Editor's Corner, Page 6.)

While endorsing the efforts of NRA officials—particularly one-year president John Dankos, vice president and Government relations leader Joe Lee and executive vice president and staff chief Robert Neville—in achieving a compromise tip reporting plan, directors called for the drafting of specific plans to combat each future situation as it arises.

"My own feeling is that we do have a responsibility to see that our employees fully report their tips in this industry," said director Charles Muer of the Detroit-based 15-restaurant Muer Corp. "But we need to do some strategic planning next time in advance to have our own plan ready before the opposition takes over in matters like no smoking regulations."

Biff Naylor, who operates a number of southern California coffee shops, suggested that the NRA possibly could oppose some of the new tip reporting regulations and get them changed. "There may be many court challenges on this matter," he declared.

Michael Savvides, a director who operates the Black Angus restaurant of Virginia Beach, Va., warned that "it will be a lot of trouble for individual restaurants to track their taxes. I don't understand why I as a restaurateur should have to be the policeman for all my employees

(Continued on page 228)

LATE NEWSBREAKS

A Miami Federal judge denied McDonald's request for a temporary restraining order to bar Burger King's anti-Big Mac campaign from the airwaves but agreed to a November hearing on McD's permanent injunction request. (Earlier story, above.)

After three years of testing, Wendy's is entering the crowded chicken chain market nationally with an ambitious franchising program for its current 20-unit, Ohio-based Sisters Chicken & Biscuits. Sisters will be directly battling Mrs. Winner's, Grandy's, Horn & Hardart's Bojangles and other emerging "upscale" chicken and biscuit chains.

The economy has spun into a mini-depression with 11 million persons representing 10.1% of the work force unemployed in September. It was the highest unemployment rate reported in 42 years. But prime interest rates were heading below 13%, giving some encouragement to beleagured food-service operators who may want to expand.

Godfather's outpaces competition in key areas

By Charles Bernstein

NEW YORK—Eschewing games and gimmicks, Godfather's Pizza is outpacing competitors in food volume and return on investment.

This was the message delivered by 37-year-old chairman, president and founder William (Willie) Theisen, in an address to the New York Society of Security Analysts. The address carried extra impact since Godfather's has been soaring as an over-the-counter stock after it went public early this year and since it is one of the few food-service chains to appear before this prestige group.

Starting the chain in 1973 with one Omaha unit, Theisen has built it to the point where it ranks No. 2 in the increasingly crowded pizza segment, behind Pizza Hut, in number of units (764) and total sales (estimated at $400 million for the current year).

More importantly, the chain is averaging over $500,000 per unit annual sales (some of the newer ones are doing $1.3 million or $1.4 million), and net profits this year are heading for $7 million—a healthy percentage of a projected $40 million in revenues for the heavily franchised chain.

Despite the impressive figures, Theisen conceded that sales were flat this year on a comparative unit basis. "Perhaps we're down 1% or 2% because of economic conditions in the Midwest and the terrible blizzards on five weekends this winter," he declared, "but this is a short-term thing."

Godfather's Pizza founder and chairman William Theisen.

Godfather's lives by pizza although it long has had a salad bar and offers three sandwiches (for the convenience of family members who might want something other than pizza), soft drinks and beer.

"People come in here for pizza and not really for the other things," Theisen observed. "There are 8,100 calories in our largest 15-in. diameter pizza," he noted, "and nobody thinks that's too much."

The large-size, priced at $9.95, is intended for a family of four to six persons. "We want people to know exactly what they'll have to pay for a meal before they come in," Theisen stressed.

Theisen asserted that he had started video games in pizza parlors at his first Omaha Godfather's but that "we've kept it in perspective ever since with no more than three or four video games in each restaurant. We don't even count it in our sales or profits as somebody else runs it for us."

Assessing the competition, Theisen acknowledged "video parlors" (in particular ShowBiz Pizza and Pizza Time Theatre) but indicated he felt that "we've got them beaten on food by a wide margin, and that's what counts."

He also listed Pizza Hut, Straw Hat, Shakey's and Pizza Inn as "major chains," but indicated he was not worried about them. He views the really tough competition as "the one- and two-unit mom 'n pop operations in each locality," the local-delivery pizza places and 7-Eleven convenience stores with their widespread pizza capabilities."

Calling pizza the fastest-growing food-service category, Theisen said 40% of Godfather's volume is in carryout. "Pizza is ideal for carryout, more than hamburgers or chicken."

The key to Godfather's high return on investment is a low startup cost, with the initial package as low as $150,000. "We don't want any fancy red roof with arches," Theisen asserted. "Just a very basic building and pizza. We're heavily into strip shopping centers, and wherever possible we want to lease rather than own real estate."

Godfather's actually is achieving an extra-low investment cost by zeroing in on shuttered gas stations, mortuaries and the closed units of chains like Sambo's and Pizza Inn as prime sites.

A major strategic error, Theisen admitted, was switching from an Omaha advertising agency to a New York one last year. "Communications broke down between our Omaha headquarters and New York."

Theisen also conceded a challenge in the public's perception of Godfather's. "Less than 20% of consumers nationally even know who we are," he said, "but that problem should be solved as we keep expanding with 250 new restaurants each year."

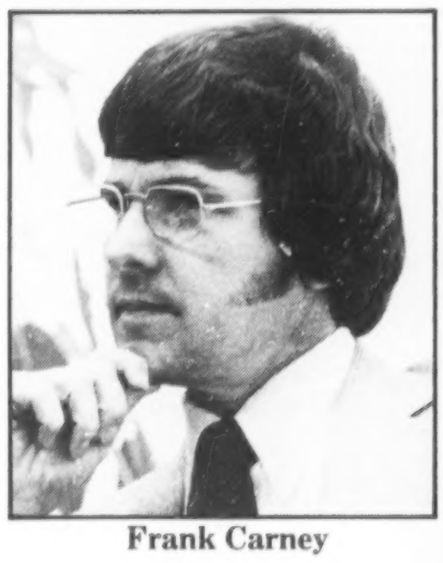
Frank Carney selling Chi-Chi's franchise

By Roman Czajkowsky

WICHITA, Kan.—Frank Carney, the 44-year-old cofounder of Pizza Hut who turned to tortilla chips and chili con queso two years ago, is selling his mid-Atlantic Chi-Chi's Mexican dinnerhouse franchise back to its parent.

The sale involves eight Chi-Chi's and three more under construction. In return, Carney will get about 400,000 of Chi-Chi's shares, worth about $8 million, and a seat on the company's board of directors. Louisville, Ky.-based Chi-Chi's operates and franchises a total of 69 restaurants.

But the boyish-looking entrepreneur, who in his spare time likes to take his life in his hands by competing as a professional sports car racer on the national circuit, won't be idle. He's indicated he might buy into another Chi-Chi's franchise, building it up and selling it back again, and he's investing in an Italian family dinnerhouse concept that will make its own pasta within view of customers. The first test unit is scheduled to debut next month in Kansas City.



Frank Carney

Carney bought the mid-Atlantic Chi-Chi's franchise in 1980 with a cash investment of $650,000, and built it into a thriving chain of eight stores each averaging $3 million a year, or about $500,000 more than other units in the system.

Carney founded Pizza Hut in 1958 with his older brother, Dan. After developing it into a more than 3,000 unit, multimillion dollar business, he sold the chain to PepsiCo in 1977 in a stock exchange valued at $300 million, of which nearly $16 million were Carney's share. Carney left PepsiCo in early 1980 after it hired Donald Smith, the former head of Burger King, to run its food-service division, which also included Taco Bell.

After leaving the pizza business, Carney also invested in gas and oil development, real estate and car dealerships.

Polack named senior vp at Brock

TOPEKA, Kan.—The Brock Hotel Corp. has promoted H. Samuel Polack to senior executive vice president and chief operating officer.

Brock owns more than 100 Show Biz Pizza Place units and franchises 53 Holiday Inns in addition to its own hotel properties.

The chairman, president, founder and chief executive officer is Robert L. Brock.

"I will continue as chief executive officer of this company," Brock said in a statement, "but the great growth of this company dictates that I share some of the top executive ability."

Polack, who is 41, had been executive vice president of operations and president of the hotel division. He joined the company 19 years ago as a desk clerk in a Holiday Inn and was named president of the hotel division in 1981.

Brock Corp., a public company, reported revenues of $165 million in 1981.

Angels' success is heaven for more than fans

Record attendance boosts concessions

ANAHEIM, Calif.—The California Angels baseball team, with record-setting attendance during the season's drive for the World Series, helped its food-service concessionaire score a $14 million-plus sales year, up nearly 100% over the last full season in 1980 (the 1981 season was strike-shortened).

Szabo Food Services Co., with a staff of 11 plus 600 on-call vendors, provides the concessions for city-owned Anaheim Stadium under a management contract. The company, with 450 contract operations nationwide, picked up about one-tenth of its total annual sales of $140 million from the Anaheim food and beverage operation alone. Szabo is the sole subsidiary of parent Oak Brook Consolidated Inc., based in Oak Brook, Ill.

The Angels drew an American League record of 2.8 million fans to their 1982 home games. Those crowds, plus an extra 120,000-odd rooters in two Los Angeles Rams games prior to the NFL strike, helped Szabo coast to its record year here of nearly $20 million, including sales of nonfood souvenir items.

Szabo's regional vice president Carmen Torzon said that 75%-80% of all revenues comes from sale of just four items out of about 30 food products it sells in the stadium. Those four—hotdogs, peanuts, beer and popcorn—make up most of the $4.25 average expenditure per person during the regular season. During post-season play and during other well-attended series during the season the average check was $5.50-$6.

Food costs in the ballpark were 22%-26%, typical figures for all of major league baseball, he said. Labor costs range from 18% to 22%; all other costs range from 7% to 12%. This leaves a minimum gross profit of 40%, which the company shares with the City of Anaheim. The city, in turn, gives a cut to the Angels and Rams organizations.

Szabo, successor to the 10-year regime of Canteen Corp., got the contract from the city in 1976 and renegotiated upon the arrival of NFL football two years ago for a contract running through 1986.

In the city, Szabo also provides concession services to the Anaheim Convention Center.

HIGHLIGHTS IN THIS ISSUE

6 The food-service industry should begin preparing now to overturn the disastrous tip reporting rule passed by Congress, urges *NRN* editor Charles Bernstein in an editorial.

11 Over 170 chain and independent restaurateurs left no stone unturned in their search for the perfect promotion at an NRA-sponsored conference last month.

21 Roy Rogers' expansion pace has quickened with the 'ahead of schedule' dismantling of Gino's and its conversion by parent Marriott Corp. into Roy Rogers units.

24 Gambling operations are no longer giving food and beverage sales a second-class status, and Harrah's is a prime example, notes Wine & Spirits columnist Mort Hochstein.

32 An influx of affluent young professionals into Denver has prompted this city's shift from culinary caution to inspired dining diversity.

151 In *NRN*'s second installment in our Great Wine Lists series, we take a look at Narsai David, a modern-day Bacchus whose life revolves around wine—with 60,000 bottles, he needs two wine lists and two warehouses.

183 For New York's Riese organization, concept comes second. Finding the right location is the 'heart and soul' of their $100 million business.

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Large crowds strain Epcot's food facilities

(Continued from page 1)

Epcot also represents the first time Disney has allowed outside entrepreneurs to own and operate their own restaurants and shops at one of its parks. This occurs at the French, Italian, Japanese and Mexican pavilions in World Showcase, an area of the park devoted to the history, architecture, culture and food of the United States and several foreign countries.

Restaurants in those four particular foreign pavilions are owned and operated by restaurateurs from those countries. (Story on pages 120-122.)

"Authenticity is the key to those four restaurants," said James P. Armstrong, vice president of resorts and food administration. "Every location has its own identity but they've all taken advantage of centralization."

He was referring to Disney's central commissary, located behind the Magic Kingdom, about three miles from Epcot. At the commissary, food is received, produced, stored and distributed. Because Disney orders food in such large quantities and maintains the inventories at the commissary, food costs to independent restaurateurs at Epcot are low. The Italian restaurant estimated a 23% food cost, for example.

Other World Showcase pavilions—the American, British, Canadian and German—maintain authenticity in architecture, decor and cuisine, but are operated by Disney. New foreign pavilions are being planned. Disney officers say arrangements may be made with independent restaurateurs for the Spain and China pavilions.

The independent operators purchase their supplies through Disney and pay the company a percentage of their profits.

All food-service locations in the second major area of Epcot—Future World—are operated by Disney. Future World is a collection of attractions and exhibits that all have some technological orientation. The word "Epcot" is an acronym for Experimental Prototype Community of Tomorrow. The center was a dream of company founder Walt Disney.

Future World food centers include the Farmer's Market specialty shops, a tablecloth restaurant called The Good Turn that revolves slowly above the market and food court, several fast-food locations designed in high-tech fashion (one of which, Sunrise Terrace, was not open in early October), and vending carts.

In nearly all cases the food centers are sponsored by some food company. The Farmer's Market, which includes ice cream, cheese, potato, barbecue, sandwich, bakery, beverage and soup and salad shops, is sponsored by Kraft and Sealtest. The Good Turn is also sponsored by Kraft.

Three fast-food centers in Future World—the 600-seat Stargate, the 500-seat Sunrise Terrace, and the 590-seat Odyssey—as well as the 525-seat Liberty Inn fast-food restaurant in the American pavilion in World Showcase, are sponsored by Coca-Cola. Canada's Le Cellier restaurant, a buffeteria, is sponsored by LaBatt's; the Rose and Crown Pub by Bass Ale and Guinness and the Biergarten in the German pavilion by Beck's Beer.

Randy Hiatt, manager of food research and project development, said these centers use the sponsor's product and the sponsor pays Disney an advertising fee.

"They can promote the association," Hiatt said. "It's a type of marketing approach for them."

This mix of fast-service and full-service dining throughout Epcot was determined by examining computer models for expected visitor preferences. The models were based on visitor patterns set at Magic Kingdom and the older Disneyland Park in Anaheim, Calif.

Hiatt said the computer showed that restaurants in Future World would have their highest concentration of customers at lunchtime and that fast finger foods would be preferred. The model also showed that customers would favor the tablecloth restaurants with the international themes at night.

But during Epcot's first few days, the unexpected crowds and some malfunctioning attractions resulted in the disruption of the model.

Disney spokesmen told the media that 36,542 people visited Walt Disney World on Oct. 1, Epcot's opening day. Although Disney would not break down that figure for Magic Kingdom and Epcot attendance, park employees said Magic Kingdom had its smallest crowds in years and estimated that 25,000 to 30,000 people were at Epcot.

Many visitors complained that there were not enough food stands and that it was nearly impossible to get into the high-quality restaurants. Many waited an hour or more to get into a foreign-pavilion restaurant.

To deal with the problems, Armstrong increased the number of food-service employees at the park, added about a half dozen beverage carts throughout the grounds, and installed a picnic-lunch facility in front of the American pavilion and a snack counter by the German pavilion. Restaurateurs changed their reservations policy to eliminate waiting and the frustration of guests.

Hiatt said Epcot has enough food locations to feed larger-than-expected crowds but that there were problems that opening weekend. One was that a major fast-food facility had not been opened.

Another was a "unique problem," he said. At Magic Kingdom, visitors normally eat two meals in a day—only about 15% eat breakfast. But at Epcot that first day many arrived early to watch the opening ceremonies. "They were very hungry," he said, "so they hit us early and ate often."

He added that if "the trend continues, it will be a good problem to have."

The attractions in Future World also became a food-service problem. At various times during that first weekend several attractions—including Epcot's dominant architectural symbol, Spaceship Earth, a 16-million-lb., 180-ft.-high aluminum-alloy sphere that featured a ride and some dazzling light, sound and animatronics effects—were not working because of computer or mechanical problems. This resulted in a major shift in traffic from Future World to World Showcase, which upset the computer model's predictions. The fine-dining restaurant in the Mexican pavilion, for instance, was completely full by noon, the owner said.

But, problems aside, the famous Disney attention to detail was evident throughout the park and its food centers. Preparations had been made for five or six years for this opening. Special kitchens were designed only after conceptual menus had been developed for each restaurant. New recipes and menu items and equipment were tried out in the commissary's test kitchen. Careful computer projections for recipes and inventories were utilized for the most efficient purchasing. New methods or systems were developed: for examples, a new way of reheating tortillas to meet large demand and an extensive exhaust system for the smoky Teppanyaki dining rooms.

The concept of "show" is also very important to Disney. For instance, in the Japanese restaurant, curtains are hung at the doors between the kitchens and the Teppanyaki dining rooms so that customers do not have to see an unsightly service area.

Some restaurateurs in the World Showcase complained that Disney's desire to open to the public Oct. 1 caught them unprepared; with rooms unfinished, for example. But Disney officers maintained that the Epcot Center will, in a sense, never be completed because changes and additions will always be made.

The Biergarten restaurant (above) lends old-world authenticity to the German pavilion.

EPCOT CENTER FOOD DATA

Facility	Seating	Style	Projected Hourly Meal Capacity	Projected Average Check (L = lunch D = dinner B = breakfast)
FUTURE WORLD				
Land Pavilion:				
Farmer's Market	350	fast	1,000	$ 3.95 (L & D)
The Good Turn	228	table	230	2.55 (B) 6.69 (L) 12.68 (D)
Communicore:				
Stargate	600	fast	1,420	2.78
Sunrise Terrace*	500	fast	1,420	3.76
East Restaurant:				
Odyssey	590	fast	1,420	2.72
World Premiere	260	cafeteria	—	—
Ice Cream Wagons†	(12)	vending	—	—
WORLD SHOWCASE				
Mexico:				
San Angel Inn	165	table	165	6.00 (L) 11.00 (D)
Lounge	45	beverage	—	—
Cantina de San Angel	90	snack	290	2.43
Germany:				
Biergarten	350	table	350	6.79 (L) 10.20 (D)
Japan:				
Mitsukoshi Restaurant	160	table/ teppan	160	7.30 (L) 13.48 (D)
Tempura Kiku	25	counter	25	8.00 (L) 15.00 (D)
Matsu No Ma Lounge	60	beverage	—	—
Yakitori House	110	snack	280	2.15
Britain:				
Rose and Crown Pub	140	table	100	5.98 (L) 9.81 (D)
Canada:				
Le Cellier Restaurant	170	buffet	280	6.65 (L) 7.12 (D)
France:				
Les Chefs de France	150	table	150	8.43 (L) 22.47 (D)
Au Petit Cafe	50	table	50	9.50
Patisserie	40	counter	—	1.50
Italy:				
L'Originale Alfredo	250	table	230	8.00 (L) 16.00 (D)
American Adventure:				
Liberty Inn	542	fast	1,180	2.54
Employee Snack	100	counter	—	—
Popcorn Wagons†	(2)	vending	—	—

*This facility was not open at presstime.

†More have been added since opening day.

Source: *NRN Research*

FINANCIAL NEWS

DeBiase: August sales gains 'impressive'

NEW YORK—Leading food-service chains showed a 3.1% real sales rise (comparative unit sales minus menu price rises) in August, compared with the previous August. This was less than the 3.9% real sales gain of the same chains in July over the previous July and marked the second straight year that, for whatever reason, real sales increases slipped from July to August.

Still, the gains continue to be impressive, according to Colonia, N.J.-based Carl DeBiase's Restaurant Industry Trends extensive store surveys of 17 chains.

"August's figures signaled an end to the first phase of the food-service industry's sales recovery without much help from the economy," DeBiase said. "As we move into the second phase, the rate of industry sales gains should plateau until the economy clearly begins moving ahead."

Jack in the Box, sparked by new salad and breakfast products, showed the fastest comparative real sales gain for August, a 16% rise over the previous August.

Other leading gainers for August were Taco Bell, up 8% in real sales after only a 1% July increase; Friendly Ice Cream, up 7% after a 9% July rise; Pizza Hut, 6% after a 10% July increase; Dunkin' Donuts, up 6% in both July and August; McDonald's, 5% following a 1% July boost, and Burger King, 4% after a 6% July rise.

Meanwhile, Winchell's dropped 6% after a 1% July increase; Long John Silver's was off 2% after being off 4% in July, and Ponderosa dipped 2% after gaining 1% in July. Sambo's, with no menu price rise in a year, was virtually flat.

Menu price rises for the 17 chains averaged only 3.5% in August compared with the previous August. This was the same menu price increase as July showed, suggesting real sales and customer count gains could be attributed to a more faithful holding of the line on prices now

Lums coffee shops seeking buyer

MIAMI—At presstime, the 220-unit Lums coffee shop chain was still looking for a buyer following Chapter XI bankruptcy filing by two of its subsidiaries, which combined operate all of Lums' 70 company-owned stores.

Lums Restaurant Corp., the licensing parent, has not filed a bankruptcy petition, although some franchisees have reportedly begun withholding royalty payments.

Lums and another United States chain, the International House of Pancakes, are owned by Wienerwald, which filed the European version of Chapter XI in August.

Marriott posts profit gain

BETHESDA, Md.—Marriott Corp. has reported a 5.7% earnings increase to $29.8 million in the third quarter ended Sept. 30 compared to $28.2 million in the same quarter a year ago.

Revenues

Revenues in the period jumped 25.5% to $631.6 million from $503.4 million in the 1981 third quarter.

For the first 36 weeks of 1982, Marriott reported net income of $69.2 million, up from $64.4 million the same period a year earlier, on revenues of $1.7 billion, up from $1.3 billion a year earlier.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Oct. 8							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.63	5.50	5.63	-.13	-2.17	7.50	3.50	-.45	-1.73	-2.00	-7.14	.47	-.43	N -95.5	-25.0	4.3	281.3	.00	.0	01-06-81	27.7	1.2	2.4	5.69	2.90	1081
Am Motor Inns	INN	22.63	19.38	22.25	2.38	11.95	22.63	12.00	.27	.61	2.04	32.02	2.17	.44	F 25.4	35.0	7.0	10.3	.22	1.0	08-10-82	142.3	8.9	1.5	15.62	10.87	0781
ARA Services	ARA	34.38	31.50	34.13	.63	1.87	34.38	23.50	-.11	-.09	-3.69	23.47	4.00	-1.28	N -27.0	-2.0	1.5	9.9	2.00	5.9	08-26-82	2915.9	45.1	1.2	21.04	44.21	0981
Assoc Hosts	AHST	5.75	5.75	5.75	.00	.00	6.50	4.88	-.02	-1.97	-.51	-3.30	.66	-.01	N -1.5	-10.0	2.6	9.1	.12	2.1	09-07-82	79.9	2.1	1.5	6.40	7.04	0981
Beefstk Char	BSCC	5.50	5.00	5.25	-.25	-4.55	6.50	2.88	-.09	-1.55	2.59	3.15	.62	.16	N 25.3	33.0	2.4	6.6	.00	.0	00-00-00	86.2	2.1	1.2	1.49	3.09	1081
Bob Evans Farms	BOBE	25.25	24.00	25.25	.25	1.00	25.75	17.94	-.09	-.75	-.34	22.73	1.45	.20	Q 16.0	24.0	7.9	17.4	.36	1.4	08-16-82	173.4	13.7	1.7	.00	6.90	0482
Bonanza Intl Inc	BNZA	1.88	1.75	1.88	.13	7.14	2.38	1.06	-.38	-1.96	4.50	-72.44	-3.33	-2.56	S NE	-65.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.24	1.50	1281
Brock Hotel Cp	BHC	14.00	11.88	12.50	.50	4.17	17.50	9.63	-.31	-3.58	2.36	6.53	.59	.40	S 129.0	24.0	4.3	17.6	.10	.8	09-27-82	165.1	7.1	1.2	11.01	3.90	1281
Calny Food	CLNY	10.50	10.00	10.50	.00	.00	10.50	7.16	.76	-1.47	5.22	-14.24	1.11	.13	S 13.4	6.0	3.2	9.5	.20	1.9	07-29-82	37.0	1.2	.6	1.51	2.27	0282
Carrols Develop	CRL	7.88	6.50	7.50	.88	13.21	7.88	4.13	.97	.04	5.82	-36.34	.66	.27	F 69.2	44.0	1.9	11.4	.09	1.2	12-24-81	68.6	1.3	.6	9.82	5.99	0582
Chart House	CHHO	23.13	21.50	23.00	.00	.00	23.63	15.88	-.29	-1.34	-.60	-7.87	2.03	.23	S 12.4	14.0	5.0	11.1	.60	2.6	09-24-82	353.9	17.7	.9	14.53	10.14	1281
Chi-Chis	CHIC	23.00	21.00	23.00	1.75	8.24	23.00	11.09	.63	-.25	-.02	-6.39	.55	.22	Q 55.0	26.0	11.1	37.1	.00	.0	06-28-82	14.9	2.1	3.1	1.10	1.23	0481
Ch Full O Nut	CHF	18.25	16.00	17.25	.50	2.99	18.25	9.25	.08	-1.04	3.16	-22.46	.34	-.32	F -48.4	15.0	1.4	50.7	.40	2.3	07-01-82	118.7	3.2	3.4	.80	5.42	0781
Churchs Fr Ch	CHU	35.63	30.88	35.50	4.13	13.15	35.63	25.00	.00	1.06	-2.62	22.07	3.52	-.06	N -1.7	16.0	10.8	10.4	1.00	2.8	10-25-82	412.1	44.6	1.9	1.02	15.25	1281
Cindys Inc	CNDYC	3.75	3.63	3.75	.00	.00	3.88	2.50	.78	-.91	.42	-4.21	-.06	1.37	F NE	NE	-.6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.17	.29	1281
Collins Foods	CF	18.00	15.88	17.75	1.50	9.23	18.00	8.44	-.11	.77	-6.81	3.98	1.69	.57	Q 43.8	15.0	3.2	9.5	.24	1.4	09-24-82	298.0	9.6	1.3	7.44	10.69	0482
Consul Corp	CNSL	8.63	8.00	8.63	.25	2.99	8.63	5.25	.56	-.08	.26	-17.17	.00	-.08	Q -88.8	NE	.0	862.5	.00	.0	00-00-00	17.6	.0	.7	2.21	2.88	0582
Cracker Barrel	CBRL	13.50	10.75	13.50	2.25	20.00	13.50	7.25	.65	3.30	2.43	-8.00	1.03	1.03	F NC	19.0	3.7	13.1	.00	.0	00-00-00	28.5	.9	1.0	5.41	2.74	0781
Dennys Inc	DEN	31.63	26.38	31.50	3.75	13.51	31.63	17.50	-.21	1.42	.31	-5.39	2.47	.45	F 22.2	7.0	3.9	12.8	.64	2.0	09-03-82	955.7	36.8	1.4	15.81	15.02	0682
Dunkin Donuts	DUNK	23.88	20.38	23.88	3.63	17.90	23.88	11.13	.40	.77	2.15	13.50	1.82	.25	N 14.0	19.0	8.3	11.8	.36	1.5	08-09-82	68.7	5.7	1.3	11.44	10.61	1081
Frischs	FRS	10.88	10.00	10.13	-.50	-4.71	11.63	6.25	.09	-1.39	1.35	2.53	1.87	.50	F 36.4	14.0	3.8	5.4	.40	4.0	09-29-82	101.0	3.8	1.5	6.48	14.12	0582
Hambrg Hamlet	HAMB	5.75	5.75	5.75	.00	.00	8.25	5.00	-.11	-1.97	10.19	92.86	1.35	1.08	F 400.0	-13.0	3.2	4.3	.00	.0	00-00-00	31.6	1.0	.7	20.45	13.07	0382
Hardwicke	HAWK	1.75	1.75	1.75	.00	.00	4.38	1.38	-.17	-2.11	5.40	-11.11	-2.22	-3.88	S NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.38	8.12	0981
Hilton Hotels	HLT	41.00	34.88	40.75	4.38	12.03	41.63	27.63	-.16	2.14	.28	6.60	4.22	-.37	S -9.0	22.0	20.9	10.9	1.80	4.4	08-30-82	539.3	112.6	2.0	4.48	19.98	1281
Holiday Inns	HIA	37.50	31.63	37.13	2.75	8.00	37.50	23.75	.21	.74	-4.58	21.74	3.66	1.20	S 47.8	25.0	7.8	10.0	.80	2.2	09-13-82	1765.1	137.4	.8	20.99	25.33	1281
Holiday Inns A	HIA A	55.13	49.88	55.00	3.00	5.77	55.13	36.00	.29	.74	1.33	84.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	19.38	17.50	19.00	.59	3.23	19.38	7.13	.36	.05	-3.22	49.49	.95	.07	S 8.5	30.0	2.7	21.3	.00	.0	09-27-82	166.1	4.5	1.7	11.45	6.30	1281
Hungry Tiger	HTIG	9.50	8.00	9.50	1.00	11.76	10.50	6.00	-.37	.44	-.41	-15.33	.92	.18	N 20.4	41.0	3.2	9.0	.00	.0	08-24-81	49.9	1.6	.8	5.84	4.09	0881
Imperial Grp	IMT	1.88	1.75	1.81	.06	3.57	1.88	1.06	-.02	-2.08	-5.19	-11.54	.24	.00	F .0	2.0	2.0	7.6	.14	7.7	09-28-82	8462.9	171.0	1.1	.65	2.08	1081
Intl Dairy Queen	INDQ	17.50	16.25	17.50	1.25	7.69	17.50	9.25	.27	-.04	2.60	-13.64	1.72	.44	N 27.1	38.0	6.1	8.5	.00	.0	00-00-00	91.3	5.6	1.1	9.68	5.82	1181
Int King Tab	IKNG	5.25	5.00	5.25	-.13	-2.33	5.50	1.75	.27	-.52	-2.93	-22.19	.33	.98	F NE	-33.0	1.4	15.9	.00	.0	10-09-79	36.6	.5	.3	4.09	3.77	0682
JBs Rest	JBBB	7.38	6.63	7.38	.13	1.72	7.63	2.88	.34	.72	2.13	-2.51	.63	.29	N 53.7	1.0	3.0	8.9	.16	2.2	08-09-82	36.4	1.1	.9	5.18	5.01	0981
Jerrico Inc	JERR	23.50	21.13	23.50	2.25	10.59	23.88	15.63	-.22	-.85	-3.77	28.84	1.75	.07	F 4.1	20.0	5.1	13.4	.12	.5	05-10-82	425.5	21.8	.9	3.64	11.24	0682
Kapok Tr Inns	KTI	3.50	3.00	3.50	.38	12.00	4.50	3.00	-.39	1.60	-3.78	81.82	-.24	-.17	N NE	-31.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.93	5.84	0981
Kelly Johnston	KEJO	21.75	19.63	21.75	2.13	10.83	21.75	13.00	.19	.31	4.66	7.21	.89	.27	Q 42.8	111.0	8.4	24.2	.00	.0	00-00-00	17.9	1.5	.9	1.34	6.60	0382
Karcher Carl	CARL	17.75	15.63	17.75	2.00	12.70	17.75	8.88	.07	1.34	-1.85	6.72	1.51	1.69	S NC	16.0	3.4	10.5	.00	.0	00-00-00	200.6	6.9	1.9	6.43	8.34	0182
Lubys Cafe	LUB	30.25	27.50	30.25	1.38	4.76	32.00	24.50	-.01	.05	-.79	-52.31	1.45	.25	N 18.1	23.0	9.1	18.6	.60	2.0	09-03-82	108.2	9.8	1.1	.90	5.98	0881
Marcus Corp	MRCS	7.13	6.75	7.13	.00	.00	7.25	5.00	-.25	-.91	.14	33.71	1.13	-.03	Q -2.5	4.0	5.7	6.3	.00	.0	08-24-81	103.8	5.9	.8	2.98	9.76	0582
Marriott Corp	MHS	50.25	44.63	50.00	1.75	3.63	50.25	32.00	.23	.56	.52	-1.50	3.20	.37	S 12.6	30.0	4.3	15.2	.30	.6	09-20-82	2000.3	86.1	.9	23.23	16.12	1281
McDonalds Cp	MCD	62.00	53.38	60.25	2.22	3.82	62.00	38.69	-.02	.40	.76	13.95	4.36	.62	S 15.3	18.0	10.7	12.9	.88	1.5	10-15-82	2477.2	264.8	.5	15.35	22.73	1281
Morrison Inc	MORR	14.25	12.00	14.25	2.13	17.53	14.25	8.13	.31	-.41	.96	1.71	1.16	.28	Q 29.1	8.0	4.1	11.5	.36	2.5	10-08-82	364.3	15.1	1.4	2.95	7.90	0582
Mr Steak	MSST	2.38	2.00	2.38	.50	26.67	3.38	1.75	.68	.61	.62	-26.85	.22	-.47	N -293.7	-23.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.45	4.70	0981
Nathans Famous	NATH	1.06	1.00	1.06	.00	.00	1.78	.59	.10	-1.88	-3.76	58.33	.03	.79	Q NE	NE	.6	26.6	.00	.0	09-09-82	16.7	.1	.5	.10	1.73	0382
Oakbrook Cons	OKCO	13.00	11.00	13.00	2.00	18.18	13.00	9.00	.52	2.24	11.79	50.00	1.74	-.83	N -47.9	3.0	1.3	14.4	.32	2.5	06-08-82	133.4	1.7	.8	5.60	13.02	0981
Orange-co	OJ	7.25	5.88	6.00	-1.00	-14.29	11.38	4.63	.89	-3.68	-1.29	13.93	1.01	-.81	N -84.3	24.0	5.4	40.0	.20	3.3	02-22-82	76.2	4.1	1.9	10.24	7.21	0881
Piccadilly Caf	PICC	16.50	15.75	15.75	-.38	-2.33	18.13	13.50	.34	-2.32	1.29	-28.29	1.39	.09	F 6.9	14.0	5.9	11.3	.56	3.6	09-09-82	127.2	7.8	1.7	.00	6.40	0681
Pizza Inn	PZA	5.38	4.63	5.38	.25	4.88	7.88	4.50	-.38	-1.28	2.13	-39.24	.50	-.09	S -15.2	-7.0	1.0	10.8	.00	.0	00-00-00	133.5	1.4	.9	12.94	6.65	1281
Pizza Time Thea	CHKY	17.50	14.25	15.50	-1.75	-10.14	32.50	14.25	-2.75	-3.95	3.61	22.29	.58	.90	S 529.4	41.0	7.2	14.5	.00	.0	00-00-00	36.2	2.6	3.2	.81	7.87	1281
Ponderosa Sys	PON	23.63	20.25	23.63	2.88	13.86	23.63	12.00	.02	1.22	1.24	-9.13	2.01	.95	S 78.5	-8.0	2.4	10.9	.50	2.1	09-21-82	353.9	8.5	1.0	19.96	16.83	0282
Ramada Inns	RAM	5.00	4.25	4.88	-.13	-2.50	7.38	4.25	-.49	-1.70	-4.54	-6.08	.05	-1.45	S -198.6	-29.0	.4	NE	.12	2.5	10-19-81	395.5	1.4	.6	18.98	6.03	1281
Restaur Assc	RA	4.63	4.00	4.63	.50	12.12	5.50	3.25	.15	.54	4.79	23.67	.97	-.33	S -32.3	46.0	2.4	6.7	.00	.0	00-00-00	99.2	2.4	1.3	3.17	6.38	1281
Saga Corp	SGA	33.00	30.00	32.88	2.50	8.23	33.00	16.75	.06	.32	.86	-16.63	3.35	.99	F 41.9	19.0	1.9	9.8	.56	1.7	08-16-82	901.0	16.8	.9	8.51	17.72	0682
Sea Galley	SEAG	8.25	7.13	7.38	-1.13	-13.24	10.63	6.75	-.85	-2.37	.53	-2.32	.68	-.08	S -11.5	51.0	4.5	12.1	.00	.0	06-02-81	49.0	2.2	1.8	2.38	4.99	1281
Servico Inc	SRVI	10.50	8.75	10.50	1.50	16.67	10.50	6.81	.32	2.29	3.11	52.67	1.54	-.82	S -41.8	74.0	3.5	9.2	.00	.0	07-09-82	126.4	4.4	1.1	50.99	5.46	1281
Shoneys Inc	SHON	22.13	21.00	22.13	2.13	10.63	22.13	12.63	.41	-.98	-.57	19.27	1.03	.25	N 25.7	21.0	5.5	18.1	.16	.7	06-28-82	269.4	14.8	1.0	1.97	5.03	1081
Skippers	SKIP	6.75	6.25	6.75	.25	3.85	7.75	4.25	-.17	-1.22	-3.24	-63.87	.73	-.46	N -46.0	4.0	3.0	12.5	.08	1.2	04-23-82	33.7	1.0	1.2	3.45	6.07	1281
Sonesta Hotel	SNSTZ	13.50	13.50	13.50	.00	.00	14.00	8.50	.13	-1.93	-6.76	-7.14	.94	-.66	S -37.0	43.0	1.4	12.1	.20	1.5	06-25-82	145.0	2.1	.9	27.74	10.01	1281
So Hospitality	SHOS	1.63	1.50	1.50	-.13	-7.69	2.00	1.00	-.74	-3.33	.65	23.08	.14	.16	Q NC	21.0	2.5	9.4	.00	.0	00-00-00	20.3	.5	1.0	2.29	-.20	0582
Steak n Shake	STAK	2.94	2.88	2.88	-.06	-2.13	3.00	2.50	.00	-1.97	-2.31	27.59	.06	-.15	N -62.5	-32.0	.5	31.9	.00	.0	05-17-79	56.5	.3	1.2	4.60	2.60	0981
Valles Steak	VLE	6.75	6.75	6.75	.00	.00	6.88	4.25	-.16	-1.98	-.75	-50.00	-.38	-.43	Q NE	-36.0	-1.5	NE	.00	.0	11-01-78	66.1	-1.0	1.5	6.27	9.06	0382
Victoria Stations	VSTA	7.00	5.88	5.88	-.13	-2.08	11.00	5.75	-.46	-4.38	3.35	-5.29	.35	1.40	Q NE	-36.0	1.0	36.7	.00	.0	09-19-79	123.4	1.2	1.0	7.67	10.49	0382
Wendys Intl	WEN	20.88	18.13	20.25	.38	1.89	20.88	12.25	.01	.46	-.76	33.49	1.52	.14	S 9.7	18.0	7.6	12.8	.28	1.4	05-11-82	486.6	36.9	.6	3.84	7.89	1281
Webb Del E	WBB	7.00	6.50	6.75	.13	1.89	8.75	4.88	-.43	-2.77	-2.34	37.06	.56	.64	S NE	-28.0	1.3	17.3	.00	.0	11-07-80	414.8	5.3	1.1	16.12	13.25	1281
Winners Cp	WNER	11.75	11.25	11.75	.38	3.30	11.75	6.38	.21	-1.33	-1.62	-17.48	.67	.61	S 321.0	5.0	2.1	14.7	.00	.0	00-00-00	72.7	1.5	.3	13.37	7.09	1281

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

McD mobilized for broader overseas campaign

By Joe Edwards

OAK BROOK, Ill.—Despite considerable economic, political and social problems in countries targeted for expansion, McDonald's billion-dollar-plus international division is stepping up unit development outside the United States.

McDonald's expansion strategy calls for forays into countries controlled by Communists, right-wing dictators and democratically elected governments. The world's largest restaurant company apparently is more concerned with boosting sales and profits than worrying about political ideologies.

At headquarters here, executives are making plans to open units in countries as diverse in their geography, customs and politics as Taiwan, Poland, Philippines, Italy, Yugoslavia, and Brazil. Some are new markets, some just barely developed.

Overseas expansion promises big bucks for United States-based food-service companies and McDonald's and its competitors have been ready and willing to collect what they consider is their fair share of a growing market.

Sometimes politics and economics get in the way of the most carefully drawn plans. Dissension and the imposition of martial law in Poland has led to the postponement of the opening of the first McDonald's in that country. The dire financial plight of Mexico may delay the opening of three units in Mexico City.

Still, international development offers fast feeders a potentially lucrative market. About 1,200 McDonald's now are operating in 29 foreign countries and territories. International division sales were $1.3 billion in 1981 and represented 19% of total systemwide sales of $7.1 billion. By comparison, there were 720 foreign McDonald's units in 1978 with $727 million in sales.

The foreign fast-food market offers lusty possibilities. Relatively few American-based chains are expanding overseas, where fast-food is catching on and where competition is limited. Even in Japan, where McDonald's has 313 units, the market is nowhere near saturation, according to Den Fujita, McDonald's affiliate.

The first sign that McDonald's was accelerating its international division expansion came early this summer when Edward H. Schmitt was named to the newly created post of board vice chairman by Fred L. Turner, McDonald's chairman and chief executive. Schmitt was replaced as corporate president by Michael Quinlan, also president of McDonald's U.S.A.

Turner explained at the time that the promotion would enable Schmitt to devote more time to international development even though some observers believed Schmitt was being moved upstairs to make way for Quinlan, 19 years Schmitt's junior and a shining star in McDonald's hierarchy.

Turner's stated reasons for promoting Schmitt evidently were on target, and in just a few months Schmitt has moved quickly. Recent international division developments include:

- McDonald's objective of increasing the division's contribution to overall revenues by five percentage points in the next five years.
- The decision to develop the Mexican market with an affiliated company. Three McDonald's restaurants are planned for Mexico City, possibly opening in 1983.
- The disclosure by Turner that McDonald's plans to move into Eastern Bloc nations in the next few years. McDonald's is looking specifically at development in Yugoslavia, Hungary, East Germany, and Poland.
- McDonald's plans to open units in Taiwan on the other side of the world and on the opposite end of the political spectrum. The company has received permission from the Taiwanese Government to build a food processing plant to serve Southeast Asia and Japan.
- McDonald's has rid itself of its Paris-area licensee and has regained development rights for the lucrative French market after a lengthy and bitterly fought court battle.
- The company is looking at possible development in Italy where a recent survey showed Italians spend less that 30 minutes eating lunch, suggesting a market exists for fast food. The company also is planning to step up expansion in Brazil, where it now has six units.

At the end of 1981, the number of international division units was 2½ times greater than the number just five years ago. Division sales had a compound annual growth rate of 32% from 1976 to 1981 and revenues a compound annual growth rate of 23% in the same period.

International division sales represented 19% of total systemwide sales in 1981, compared to 16% in 1978. Sales were up 15% in 1981 over 1980, even though the per cent of systemwide sales remained flat. The company blamed that on the impact of a stronger U.S. dollar on foreign currencies in 1981.

Edward Schmitt: Directing McDonald's international expansion.

Outside the United States, McDonald's greatest presence is in Canada, where there are 389 units; Japan, 313 units; Germany, 155 units, and Australia, 123 units. Other countries and territories where McDonald's has restaurants are Sweden, Denmark, Ireland, England, Netherlands, Belgium, Switzerland, Austria, Spain, Brazil, Netherland Antilles, Virgin Islands, Puerto Rico, the Bahamas, Guatemala, El Salvador, Nicaragua, Costa Rico, Panama, Guam, New Zealand, Philippines, Singapore, and Hong Kong.

McDonald's opened its first restaurants in Spain, Denmark and Philippines in 1981.

McDonald's owns and operates international division units, franchises them to licensees or operates them with an affiliated company with McDonald's owning 50% or less of the equity. The number of company-owned, franchised and affiliated units are about evenly split.

Most company-operated units are in Canada, Australia and Germany while most franchised units are in Canada, Western Europe, Australia, and Central America. Affiliated units operate in Japan, England and Hong Kong.

One of the brightest spots in McDonald's international division is Japan, where McDonald's and joint venture partner Den Fujita operate 313 restaurants. Fujita opened his first restaurant in July 1971. In 1981, his company reported more than $18 million profits on $270 million sales. Fujita forecasts a 20% increase in profits to more than $23 million this year.

In an interview earlier this year, Fujita said Japan can support as many as 1,000 McDonald's restaurants. He is opening 50 restaurants this year. He serves the same products as his counterparts in the United States and has been adding drive-through windows at some units.

While the joint venture in Japan is working well, McDonald's wasn't so successful in France where it was involved in a 10-year court battle with its Paris-area licensee, Raymond Dayan.

McDonald's sued Dayan claiming 12 of his 14 Paris restaurants were filthy and not operating up to company standards. A Chicago judge last month revoked Dayan's development license and ordered the franchisee to remove all McDonald's signs, equipment and trademark material from the 12 restaurants.

Dayan, claiming McDonald's sued him to win back development rights for the surprisingly lucrative Paris market, is appealing the court decision. Dayan said his average unit volume of $2 million far exceeded McDonald's expectations when they awarded him rights to develop more than 150 units more than 10 years ago.

Dayan also noted that he pays only 1% of gross sales to McDonald's while other international division franchisees pay between 5% and 10% of gross sales.

McDonald's plans to re-establish itself in the Paris market although the company has not released specific plans, according to executive vice president Donald P. Horwitz.

There are other problems developing markets in foreign countries. Costs are generally higher than in the United States. In 1981, land, building and equipment costs for the average freestanding McDonald's restaurants in Canada and Germany were in excess of $1 million, compared to $750,000 in the United States.

In some countries, average unit sales are higher—Dayan's Paris units averaged $2 million in 1981, compared to $1.2 million for the average domestic unit. Average checks in Western Europe are about $3.25-$3.50 per person, about 50¢-70¢ higher than in the United States.

Since McDonald's is as much a stickler for consistency of product in foreign countries as it is in this country, supplies are another problem. The processing plant in Taiwan is crucial to McDonald's development in Southeast Asia.

In Poland, McDonald's is conducting its second experimental harvest of russet Burbank potatoes, which are not otherwise grown in Europe. The test harvest continues even though the opening of the first McDonald's restaurant in Poland has been delayed because of political and social unrest. The McDonald's unit in that country will be one-third owned by the Polish Government.

Economic woes in Mexico, which have brought that country to the brink of bankruptcy, may delay the opening of the first three McDonald's units in Mexico City. Problems may hamper development in Hungary, Yugoslavia, East Germany and parts of Central and South America.

None of these problems has deterred McDonald's, however. Of the more than 500 new restaurants being opened by the company this year, about 140-150 will be in foreign countries. In 1983, as many as 180 McDonald's units will open outside the United States, with most growth expected in England, Brazil and Mexico.

In Europe alone, where the fast-food market is still in its embryonic stages, annual sales are estimated at $1 billion.

McDonald's is not alone among U.S.-based fast feeders and other food-service companies in trying to develop not only the European market, but other international markets as well.

Kentucky Fried Chicken, one of the first American fast-food chains to grow overseas, now has close to 2,000 restaurants in foreign countries—or 29% of its total.

Wendy's and Burger King are posting a faster rate of expansion than either McDonald's or KFC but on a smaller base, according to a study by a consulting firm.

Burger King is growing overseas at a rate of 39% and Wendy's 29%. Other U.S.-based food-service firms with a significant presence in markets outside the United States include Dairy Queen, 546 units; Mr. Donut, 428 units; Baskin-Robbins, 382 units; Taco Bell and Pizza Hut, 224 units; Denny's, 191 units; Burger King, 168 units; Ponderosa, 110 units, and Wendy's, 109 units.

Restaurant sales overtake sausages at Bob Evans

COLUMBUS, Ohio—Bob Evans Farms, operator of 82 dinnerhouses, reported net profit remained constant at $3.2 million for the first quarter of 1982 ended July 30 compared to the same period a year earlier.

Sales increased 12% to $44.4 million for the quarter.

The company's restaurant division accounted for 56% of its total sales during the period, increasing its contribution 16% to $25.8 million.

The division's 7% hike in profits during the quarter to $2.2 million pushed the restaurant division into the leading moneymaker for Bob Evans. The company's principal business had been retail sausage sales.

The company opened three new restaurants during the quarter, bringing to 13 the number of new operations which this normally conservative company has opened during the last year. Seven more restaurants are under construction, with six more planned for completion by the end of the fiscal year.

Bob Evans Farms may develop restaurants in more major markets in the next few years. The company's sausage division recently completed plans to test market its product line in Atlanta and in Knoxville and Chattanooga, Tenn., this winter. It also plans to test market sausage in the Chicago area.

The development of restaurants in new markets, chief executive officer Daniel Evans has said, often follows the sausage which introduces the Bob Evans name to the market.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Int'l Multifoods	13 wks. 6 mos.	8/31	$266.600 526.318	(18) (5)			$ 8.100 13.400	15 17
Beefsteak Charlie's	40 wks. 12 wks.	8/31	76.204 23.344	15 3			3.797 1.005	43 9
Morrison Inc.	13 wks.	8/28	102.962	20			4.007	14
Skipper's Inc.	36 wks. 12 wks.	9/5	25.251 8.797	8 12			534.000 267.000	(23) 12
Chock Full o'Nuts	12 mos. 13 wks.	7/31	115.769 28.655	(2) (0.1)			5.365 (111.000)	(9) (81)
Marriott Corp.	13 wks.	10/5			$631.6	25	29.800	6

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

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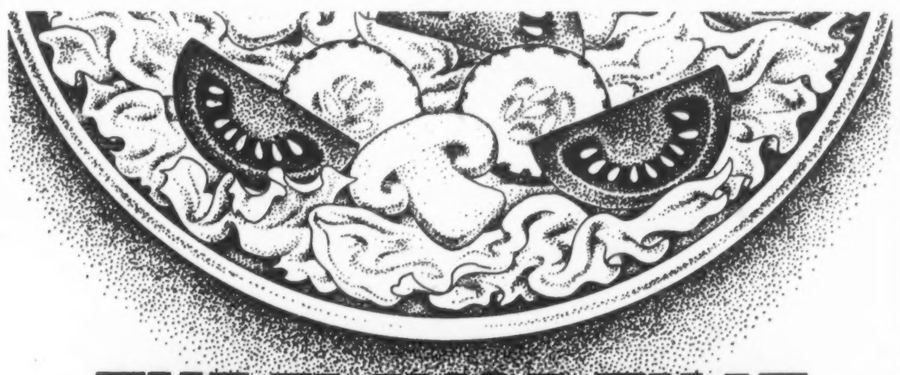

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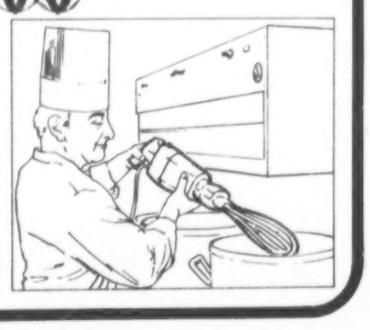

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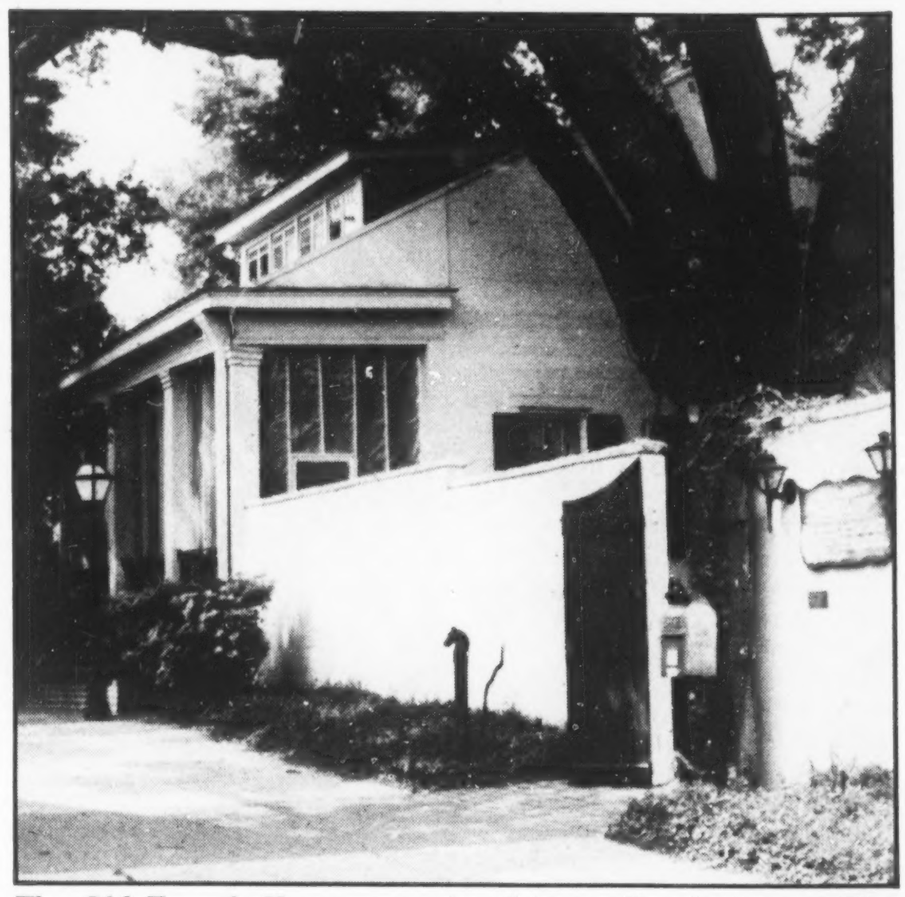
Personal management style sets popular Old French House apart



The Old French House occupies this pre-Revolutionary War mansion, originally built in 1737. Renovations have done little to change the building's outward appearance.

BILOXI, Miss.—A personal management style and a traditional Gulf Coast menu have built a one-time cocktail lounge into one of this small city's most well-known and highest-grossing establishments.

The management style of the Old French House comes from its proprietor Mary Mahoney, who takes personal service so seriously she once chased a couple into the parking lot with an anniversary gift from the restaurant.

Its culinary style comes from a veteran chef and maitre d' who came out of retirement to create much of the restaurant's menu and devise its operations systems.

Together with much of Mahoney's family they have given the restaurant annual sales of over $2.1 million and a reputation that stretches from Louisiana to Alabama.

Mahoney attributes this record to her belief that "people are the most important thing" for a restaurateur.

"Word of mouth is our only advertising here," she says. "People come back and tell us, 'We had our wedding reception here' or 'We ate here five years ago.' When somebody tells us they are celebrating a special occasion like an anniversary, I always try to do something for them."

This habit is hard to give up, Mahoney says.

"Once, I realized that I let a couple go without giving them anything. I grabbed a pair of the dining room's coffee mugs and chased the people into the parking lot, but it was too late.

"I felt just terrible."

Even now, Mahoney is somewhat surprised the restaurant caught on. She and her husband Robert didn't want a restaurant when they opened a cocktail lounge in the building in 1964. But they installed one because they thought city officials and skeptical neighbors might frown on the new business otherwise.

In keeping with the entrepreneurial spirit of its founders, the Old French House was remodeled by Mahoney and her brother: "He did the construction; I did most of the dreaming."

They decided to leave the building's appearance basically the way they found it. The townhouse and surrounding outbuildings, are steeped in the area's Spanish and French colonial history. Built in 1737, it is one of the oldest buildings in Mississippi and is rumored to have once been the residence of the French Governor of the Louisiana Territory.

The proprietors also kept the interior of the main house intact. They repaired the damage to its walls and ceilings, and restored many of the architectural details of its era. The rooms of the house are now used as individual dining rooms.

This is especially convenient to regular customers of the Old French House, many of whom use the restaurant for entertaining small parties and who prefer semiprivate rooms.

The former slave quarters and the outside kitchen—standard features for Gulf Coast townhouses of the era—are also part of the restaurant and bar.

But the Old French House has expanded beyond its original walls in recent years.

The conversion of the back yard into a garden room has made for additional dining space. A nearby building, formerly a newspaper office, is now a hall for receptions and large parties.

The old courtyard, another standard feature of French colonial architecture, is used for parties and receptions.

The success of the restaurant has fueled a series of family enterprises. A small mall now radiates from the restaurant. It contains a 24-hour coffee shop, an outdoor cafe and a Mexican market, and is becoming a so-

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Meal-lodging cost index up 12%

ROCHESTER—From mid-1981 to mid-1982, the rise in the cost of meals and lodging in American cities ranged from as little as 2% to over 21%, according to the latest Runzheimer Meal-Lodging Cost Index.

The survey of 50 United States cities indicated Jacksonville, Fla., led the inflationary spiral with a 21% increase over mid-1981 levels, with two other cities, Seattle, Wash., and Kansas City, posting 20% increases in average food and lodging costs.

At the other end of the cost spectrum, Cheyenne, Wyo., showed only a 2% increase for the year, followed by Springfield, Mass., with 4% and Detroit and Fort Wayne, Ind., each with 5%.

The overall average increase for the 50 cities was 12%, nearly 5% greater than the nation's inflation rate for the same period.

The Runzheimer study represents average meal costs for breakfast, lunch and dinner typically incurred by business travelers in upscale restaurants, plus average room rates for first class hotels and motels. The 50 cities surveyed represent a cross-section of large (over one million population), medium (500,000 to one million), moderate (100,000 to 500,000) and small (under 100,000) cities.

CHANGES IN MEAL AND LODGING COSTS

(Mid-1981 to mid-1982)

Cities Showing Highest Increase	Per cent Increase
Jacksonville, Fla.	21%
Kansas City, Mo.	20
Seattle, Wash.	20
Sacramento, Calif.	18
Harrisburg, Pa.	17
Washington, D.C.	16
Fresno, Calif.	16
Rochester, N.Y.	16
Pittsburgh, Pa.	16
San Antonio, Tex.	16
Cities Showing Smallest Increase	
Cheyenne, Wyo.	2
Springfield, Mass.	4
Detroit, Mich.	5
Fort Wayne, Ind.	5
Kalamazoo, Mich.	6
Spokane, Wash.	8
Tucson, Ariz.	9
York, Pa.	9
Charleston, W. Va.	9

Source: *Runzheimer Meal-Lodging Cost Index*